

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED JULY 31, 1997

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM                    TO  
COMMISSION FILE NUMBER 0-22378

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

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

13-2595932  
(IRS EMPLOYER  
IDENTIFICATION NO.)  
07071  
(ZIP CODE)

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

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

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

As of August 29, 1997 the Registrant had 3,198,497 shares of Class A Common  
Stock, par value \$0.01 per share, outstanding and 4,347,827 shares of Common  
Stock, par value \$0.01 per share, outstanding.

## MOVADO GROUP, INC.

INDEX TO QUARTERLY REPORT ON FORM 10-Q  
JULY 31, 1997

|   | PAGE |
|---|------|
|   | ---- |
| PART I  |      |
| FINANCIAL INFORMATION   |      |
| Item 1. Consolidated Balance Sheets at July 31, 1997, January 31, 1997 and July 31, 1996.....   | 3    |
| Consolidated Statements of Income for the six months ended July 31, 1997 and 1996 and the three months ended July 31, 1997 and 1996.... | 4    |
| Consolidated Statements of Cash Flows for the six months ended July 31, 1997 and 1996.....  | 5    |
| Notes to Consolidated Financial Statements.....   | 6    |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....                                      | 7    |
| PART II   |      |
| OTHER INFORMATION   |      |
| Item 4. Submission of Matters to a Vote of Security Holders.....  | 11   |
| Item 6. Exhibits and Reports on Form 8-K.....   | 11   |
| Signatures.....   | 12   |
| Exhibit Index.....  | 13   |

## PART 1 -- FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## MOVADO GROUP, INC.

CONSOLIDATED BALANCE SHEETS  
 (IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)  
 (UNAUDITED)

|   | JULY 31,<br>1997 | JANUARY 31,<br>1997 | JULY 31,<br>1996 |
|---|------------------|---------------------|------------------|
|   | -----            | -----               | -----            |
| ASSETS  |                  |                     |                  |
| Current assets:   |                  |                     |                  |
| Cash.....   | \$ 1,493         | \$ 4,885            | \$ 1,603         |
| Trade receivables, net.....   | 89,549           | 75,688              | 79,299           |
| Inventories.....  | 105,819          | 87,177              | 108,563          |
| Other.....  | 22,698           | 16,914              | 16,364           |
|   | -----            | -----               | -----            |
| Total current assets.....   | 219,559          | 184,664             | 205,829          |
|   | -----            | -----               | -----            |
| Plant, property and equipment, net.....   | 16,738           | 15,066              | 13,230           |
| Other assets.....   | 10,005           | 8,713               | 8,531            |
|   | -----            | -----               | -----            |
|   | \$246,302        | \$ 208,443          | \$227,590        |
|   | =====            | =====               | =====            |
| LIABILITIES AND SHAREHOLDERS' EQUITY  |                  |                     |                  |
| Current liabilities:  |                  |                     |                  |
| Loans payable to banks.....   | \$ 47,605        | \$ 7,778            | \$ 34,754        |
| Current portion of long-term debt.....  | 5,000            | 5,000               | --               |
| Accounts payable.....   | 21,822           | 25,297              | 19,243           |
| Accrued liabilities.....  | 18,543           | 13,188              | 11,737           |
| Deferred and current taxes payable.....   | 6,615            | 6,711               | 7,517            |
|   | -----            | -----               | -----            |
| Total current liabilities.....  | 99,585           | 57,974              | 73,251           |
|   | -----            | -----               | -----            |
| Long-term debt.....   | 40,000           | 40,000              | 40,000           |
| Deferred and non-current foreign income taxes.....  | 3,368            | 3,477               | 3,424            |
| Other liabilities.....  | 2,944            | 3,122               | 3,145            |
| Shareholders' equity:   |                  |                     |                  |
| Preferred Stock, \$0.01 par value, 5,000,000 shares<br>authorized; no shares issued.....  | --               | --                  | --               |
| Common Stock, \$0.01 par value, 20,000,000 shares<br>authorized; 6,508,618, 6,459,761 and 6,428,122 shares<br>issued, respectively.....                         | 65               | 65                  | 64               |
| Class A Common Stock, \$0.01 par value, 10,000,000 shares<br>authorized; 4,810,495, 4,847,478 and 4,853,190 shares<br>issued and outstanding, respectively..... | 48               | 48                  | 49               |
| Capital in excess of par value.....   | 34,451           | 34,450              | 34,215           |
| Retained earnings.....  | 72,934           | 71,291              | 61,164           |
| Cumulative translation adjustment.....  | (6,965)          | (1,856)             | 12,406           |
| Treasury Stock, 17,251 shares, at cost.....   | (128)            | (128)               | (128)            |
|   | -----            | -----               | -----            |
|   | 100,405          | 103,870             | 107,770          |
|   | -----            | -----               | -----            |
|   | \$246,302        | \$ 208,443          | \$227,590        |
|   | =====            | =====               | =====            |

See Notes to Consolidated Financial Statements

## MOVADO GROUP, INC.

CONSOLIDATED STATEMENTS OF INCOME  
 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)  
 (UNAUDITED)

|  | SIX MONTHS ENDED<br>JULY 31, |          | THREE MONTHS ENDED<br>JULY 31, |          |
|--|------------------------------|----------|--------------------------------|----------|
|  | 1997                         | 1996     | 1997                           | 1996     |
| Net sales.....                             | \$91,912                     | \$81,764 | \$56,994                       | \$50,751 |
| Costs and expenses:                        |                              |          |                                |          |
| Cost of sales.....                         | 39,785                       | 36,784   | 24,768                         | 23,121   |
| Selling, general and administrative.....   | 47,050                       | 41,128   | 27,717                         | 23,944   |
| Operating income.....                      | 5,077                        | 3,852    | 4,509                          | 3,686    |
| Net interest expense.....                  | 2,283                        | 2,123    | 1,368                          | 1,281    |
| Income before income taxes.....            | 2,794                        | 1,729    | 3,141                          | 2,405    |
| Provision for income taxes.....            | 699                          | 519      | 786                            | 722      |
| Net income.....                            | \$ 2,095                     | \$ 1,210 | \$ 2,355                       | \$ 1,683 |
| Income per share.....                      | \$ 0.18                      | \$ 0.11  | \$ 0.20                        | \$ 0.15  |
| Shares used in per share computations..... | 11,688                       | 11,264   | 11,760                         | 11,264   |

See Notes to Consolidated Financial Statements

## MOVADO GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)  
(UNAUDITED)

|   | SIX MONTHS ENDED JULY |          |
|---|-----------------------|----------|
|   | 31,                   |          |
|   | 1997                  | 1996     |
|   | -----                 | -----    |
| Cash flows from operating activities:   |                       |          |
| Net income.....   | \$ 2,095              | \$ 1,210 |
| Adjustments to reconcile net income to net cash used in operating activities: |                       |          |
| Depreciation and amortization.....  | 1,989                 | 1,885    |
| Deferred and non-current foreign income taxes.....                            | 117                   | (485)    |
| Provision for losses on accounts receivable.....                              | 221                   | 358      |
| Changes in current assets and liabilities:                                    |                       |          |
| Trade receivables.....  | (14,966)              | (4,189)  |
| Inventories.....  | (21,259)              | (18,951) |
| Other current assets.....   | (8,585)               | (4,292)  |
| Accounts payable.....   | (3,052)               | (1,706)  |
| Accrued liabilities.....  | 5,588                 | 2,409    |
| Deferred and current taxes payable.....                                       | 197                   | (555)    |
| Increase in other non-current assets.....                                     | (1,669)               | (584)    |
| Decrease in other non-current liabilities.....                                | (22)                  | (48)     |
|   | -----                 | -----    |
| Net cash used in operating activities.....                                    | (39,346)              | (24,948) |
|   | -----                 | -----    |
| Cash flows used for investing activities:                                     |                       |          |
| Capital expenditures.....   | (2,586)               | (2,332)  |
| Goodwill, trademarks and other intangibles.....                               | (800)                 | (76)     |
|   | -----                 | -----    |
| Net cash used in investing activities.....                                    | (3,386)               | (2,408)  |
|   | -----                 | -----    |
| Cash flows from financing activities:   |                       |          |
| Net proceeds from current borrowings under lines of credit.....               | 40,056                | 25,750   |
| Principal payments under capital leases.....                                  | (135)                 | (269)    |
| Exercise of stock options.....  | --                    | 16       |
| Dividends paid.....   | (455)                 | (360)    |
|   | -----                 | -----    |
| Net cash provided by financing activities.....                                | 39,466                | 25,137   |
|   | -----                 | -----    |
| Effect of exchange rate changes on cash.....                                  | (126)                 | (7)      |
| Net decrease in cash.....   | (3,392)               | (2,226)  |
| Cash at beginning of period.....  | 4,885                 | 3,829    |
|   | -----                 | -----    |
| Cash at end of period.....  | \$ 1,493              | \$ 1,603 |
|   | =====                 | =====    |

See Notes to Consolidated Financial Statements

## MOVADO GROUP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by Movado Group, Inc. (the "Company") in a manner consistent with that used in the preparation of the financial statements included in the Company's fiscal 1997 Annual Report filed on Form 10-K. In the opinion of management, the accompanying financial statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of the financial position and results of operations for the periods presented. These consolidated financial statements should be read in conjunction with the aforementioned annual report.

## NOTE 1 -- STOCK SPLIT

On April 3, 1997, the Company's Board of Directors approved a five-for-four stock split of the Company's Common and Class A Common Stock. The stock split became effective April 21, 1997. The accompanying financial statements contained in this report have been retroactively adjusted to reflect the impact of the stock split.

## NOTE 2 -- RECENTLY ISSUED ACCOUNTING STANDARDS

In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement No. 128, Earnings Per Share, which specifies the computation, presentation and disclosure requirements for earnings per share. Management of the Company believes that adoption of Statement No. 128 which is required for the fiscal year ending January 31, 1998, will not have a material impact on the Company's earnings per share calculation.

## NOTE 3 -- INVENTORIES

Inventories consist of the following (in thousands):

|  | JULY 31,<br>1997 | JANUARY 31,<br>1997 | JULY 31,<br>1996 |
|--|------------------|---------------------|------------------|
|  | -----            | -----               | -----            |
| Finished goods.....                      | \$ 66,678        | \$53,497            | \$ 63,187        |
| Work-in-process and component parts..... | 39,141           | 33,680              | 45,376           |
|  | -----            | -----               | -----            |
|  | \$105,819        | \$87,177            | \$108,563        |
|  | =====            | =====               | =====            |

## NOTE 4 -- SUPPLEMENTAL CASH FLOW INFORMATION

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

|  | SIX MONTHS<br>ENDED JULY 31, |         |
|--|------------------------------|---------|
|  | -----                        | -----   |
|  | 1997                         | 1996    |
|  | -----                        | -----   |
| Cash paid during the period for:             |                              |         |
| Interest.....                                | \$2,539                      | \$2,234 |
| Income taxes.....                            | 505                          | 1,755   |
| Non-cash investing and financing activities: |                              |         |
| Equipment acquired under capital leases..... | \$ 0                         | \$ 21   |

## MOVADO GROUP, INC.

## NOTE 5 -- BANK CREDIT ARRANGEMENT

On July 23, 1997, the Company amended its revolving credit and working capital lines with its domestic bank group to provide for a three year \$90.0 million unsecured revolving line of credit and \$16.6 million of uncommitted working capital lines of credit. These new facilities replace the \$20.0 million revolving line of credit and \$35.0 million domestic working capital line of credit and certain of the Company's Swiss working capital lines.

## NOTE 6 -- SUBSEQUENT EVENT

On September 10, 1997, the Company's Board of Directors declared a three-for-two stock split of the Company's Common and Class A Common stock to be distributed on September 29, 1997 to shareholders of record as of the close of business on September 19, 1997. The accompanying financial statements contained in this report have been retroactively adjusted to reflect the impact of the stock split.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS

## Forward Looking Statements

Statements included under Management's Discussion and Analysis of Financial Condition and Results of Operations, in this report, as well as statements in future filings by the Company with the Securities and Exchange Commission ("SEC"), in the Company's press releases and oral statements made by or with the approval of an authorized executive officer of the Company, which are not historical in nature, are intended to be, and are hereby identified as, "forward looking statements" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934. The Company cautions readers that forward looking statements include, without limitation, those relating to the Company's future business prospects, revenues, working capital, liquidity, capital needs, plans for future operations, effective tax rates, margins, interest costs, and income, as well as assumptions relating to the foregoing. Forward looking statements are subject to certain risks and uncertainties, some of which cannot be predicted or quantified. Actual results and future events could differ materially from those indicated in the forward looking statements due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company's reports filed with the SEC including, without limitation, the following: general economic and business conditions which may impact disposable income of consumers, competitive products and pricing, ability to enforce intellectual property rights, and success of hedging strategies in respect of currency exchange rate fluctuations.

Six months ended July 31, 1997 compared to six months ended July 31, 1996

**Net Sales.** Net sales increased 12.4% to \$91.9 million from \$81.8 million for the six months ended July 31, 1997 and July 31, 1996, respectively. The increase was attributable to a 10.0% increase in domestic sales and a 22.5% increase in international sales. The growth of the domestic sales reflected increases in the Company's Concord and Movado lines. The growth in international sales relates to growth in unit sales volumes for Concord and Movado in the Middle East, Concord in the Far East and for Movado in the Caribbean. The growth in both domestic and international sales reflect new product introductions in fiscal 1997 and 1998 for Concord which introduced the Veneto and LaScala lines, and Movado which introduced the Vizio line. The increase in sales was partially offset by decreases in sales of Piaget, Corum and ESQ brands. The sales decrease in Piaget is due to the planned reduction in points of sale in order to create greater exclusivity in the retail channel of the brand. The decrease in ESQ sales is predominantly due to the opening orders for the expansion of the brand's retail network, which occurred during the first half of the prior year.

**Gross Margins.** Gross profit for the six months ended July 31, 1997 was \$52.1 million (56.7% of net sales) as compared to \$45.0 million (55.0% of net sales) for the comparable prior year period. Margins were favorably impacted by sales mix, particularly an increase in the proportion of sales of the Company's higher

## MOVADO GROUP, INC.

margin Concord and Movado brands to total sales. The Company's margin also benefited from increases in the U.S. dollar against the Swiss Franc which occurred late in the previous year.

**Operating Expenses.** Operating expenses increased 14.4% for the six months ended July 31, 1997 to 51.2% of net sales from 50.3% of net sales for the comparable prior year period. The increase in operating expenses occurred primarily from planned increases in marketing and advertising particularly in the Company's Concord, Movado and ESQ brands. The increases in advertising and marketing were partially offset by decreases in non-marketing related costs.

**Interest Expense.** Net interest expense, which consists primarily of interest on the Company's \$40,000,000 of 6.56% Senior Notes and borrowings against its working capital and revolving lines of credit, was \$2.3 million for the six months ended July 31, 1997 as compared to \$2.1 million for the comparable prior year period. The higher interest expense is mainly due to higher average borrowings for the six months ended July 31, 1997 as compared to the comparable prior year period.

**Income Taxes.** The Company recorded a provision for income taxes of \$699,000 for the six months ended July 31, 1997 as compared to a provision of \$519,000 for the comparable prior year period. Taxes were provided at a 25% effective rate which the Company believes will approximate the effective annual rate for fiscal 1998; however, there can be no assurance of this as it is dependent on a number of factors including: mix of foreign to domestic earnings, local statutory tax rates and utilization of net operating losses. The 25% effective rate differs from the United States statutory rate due to the mix of earnings between the Company's U.S. and international operations, the most significant of which are located in Switzerland. The Company's international operations are generally subject to tax rates that are significantly lower than U.S. statutory rates.

Three months ended July 31, 1997 compared to three months ended July 31, 1996

**Net Sales.** Net sales increased 12.3% to \$57.0 million from \$50.8 million for the three months ended July 31, 1997 and July 31, 1996, respectively. Domestic sales increased 8.6% which was predominantly due to a higher demand for the Company's Concord and Movado brands. International sales increased 29.2%. The increase in international sales is predominately due to increased sales in the Caribbean, Far East and Middle East. The growth in both domestic and international sales reflect new product introductions in fiscal 1997 and 1998 for Concord which introduced the Veneto and LaScala lines, and Movado which introduced the Vizio line. The increase in sales was partially offset by decreases in sales of Piaget, Corum and ESQ brands. The sales decrease in Piaget is due to the planned reduction in points of sale in order to create greater exclusiveness in the retail channel of the brand. The sales decrease in ESQ is predominately due to the opening orders for the expansion of the brand's retail network, which occurred during the first half of the prior year.

**Gross Margins.** Gross profit for the three months ended July 31, 1997 was \$32.2 million (56.5% of net sales) as compared to \$27.6 million (54.4% of net sales) for the comparable prior year period. The increase in margin is mainly attributable to the Company continuing to experience a shift in overall sales mix toward its higher margin Movado and Concord brands. The Company's margin also benefited from increases in the U.S. dollar against the Swiss Franc which occurred late in the previous year.

**Operating Expenses.** Operating expenses increased 15.8% for the three months ended July 31, 1997 to 48.6% of net sales from 47.2% of net sales for the comparable prior year period. The increase in operating expenses occurred primarily from planned increases in marketing and advertising particularly in the Company's Concord, Movado and ESQ brands. The increases in advertising and marketing were partially offset by decreases in non-marketing related costs.

**Interest Expense.** Net interest expense, which consists primarily of interest on the Company's \$40,000,000 of 6.56% Senior Notes and borrowings against its working capital and revolving lines of credit, was \$1.4 million and \$1.3 million for the three months ended July 31, 1997 and 1996, respectively. The higher interest expense is predominantly due to higher average borrowings during the second quarter.



## MOVADO GROUP, INC.

**Income Taxes.** The Company recorded a provision for income taxes of \$786,000 for the three months ended July 31, 1997 as compared to a provision of \$722,000 for the comparable prior year period. Taxes were provided at a 25% effective rate which the Company believes will approximate the effective annual rate for fiscal 1998; however, there can be no assurance of this as it is dependent on a number of factors including: mix of foreign to domestic earnings, local statutory tax rates and utilization of net operating losses. The 25% effective rate differs from the United States statutory rate due to the mix of earnings between the Company's U.S. and international operations, the most significant of which are located in Switzerland. The Company's international operations are generally subject to tax rates that are significantly lower than U.S. statutory rates.

**Liquidity and Capital Resources**

The Company's liquidity needs have been, and are expected to remain, primarily a function of its seasonal working capital requirements which have increased due to significant growth in domestic sales over the two previous years. The Company's business is not capital intensive and liquidity needs for capital investments have not been significant in relation to the Company's overall financing requirements.

The Company has met its liquidity needs primarily through funds from operations and bank borrowings under working capital lines of credit with domestic and Swiss banks. The Company has also entered into a revolving credit agreement with its domestic banks. Funds available under this agreement are in addition to the Company's working capital lines. The Company's future requirements for capital will relate not only to working capital requirements for the expected continued growth of its existing brands, domestically and internationally, but also funding new lines of business including the Spring 1998 launch of the Company's new Coach watch line and product line extensions and retail boutiques for the Movado brand. In addition, the Company is required to make a \$5 million sinking fund payment on February 2, 1998 in connection with its \$40 million 6.56% Senior Notes.

In order to meet the increase in working capital requirements, the Company amended its revolving credit and working capital lines with its domestic bank group to provide for a three year \$90.0 million unsecured revolving line of credit and \$16.6 million of uncommitted working capital lines of credit. These new facilities replace the \$20.0 million revolving line of credit and \$35.0 million domestic working capital lines of credit and certain of the Company's Swiss working capital lines. At July 31, 1997, the Company had an outstanding balance of \$52.6 million against these facilities.

The Company's debt to total capitalization ratio was 48.0% at July 31, 1997, as compared to 41.2% at July 31, 1996. The increase is predominantly due to a \$19.4 million decline in the cumulative translation adjustment due to the strength of the U.S. dollar. In addition, the Company's seasonal borrowings increased \$12.9 million under its working capital credit agreements to fund the growth in its business. Debt to total capitalization at January 31, 1997 was 33.7%. The increase in debt to total capitalization from January 31, 1997 is predominantly due to an increase in loans payable to banks due to increases in seasonal working capital requirements.

The Company's net working capital, consisting primarily of trade receivables and inventories, amounted to \$120.0 million at July 31, 1997, \$132.6 million at July 31, 1996 and \$126.7 million at January 31, 1997. The decrease in the working capital from July 31, 1996 is primarily the result of the reclassification of \$5.0 million of the Company's long-term senior debt which is payable February 2, 1998. The decrease in working capital from January 31, 1997 is primarily the result of an increase in liabilities, especially loans payable to banks, in connection with seasonal working capital requirements.

Accounts receivable at July 31, 1997 were \$89.5 million as compared to \$79.3 million at July 31, 1996 and \$75.7 million at January 31, 1997. The increase in the receivables was primarily the result of growth in the Company's business.

Inventories at July 31, 1997 were \$105.8 million as compared to \$108.6 million at July 31, 1996 and \$87.2 million at January 31, 1997. The inventory balance at July 31, 1997 was relatively flat as compared to July 31,

## MOVADO GROUP, INC.

1996. The increase in inventories from January 31, 1997 reflects the seasonal build, as well as the expansion of the Company's sales base and product line.

The Company's fiscal 1998 year-to-date capital expenditures approximate \$2.6 million compared to \$2.3 million through July 31, 1996. Expenditures were primarily related to improvements in the Company's management and sales management information systems and costs incurred in connection with the expansion of domestic distribution operations. The Company expects its annual capital expenditures in fiscal year 1998 will exceed the average levels experienced over the last three fiscal years due to planned improvements in management information systems, expansion of its retail store network and the expansion of distribution operations to support continued sales growth.

## PART II -- OTHER INFORMATION

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On June 10, 1997 the Company held its annual meeting of shareholders at the offices of Simpson, Thacher & Bartlett located at 425 Lexington Avenue, New York, New York.

The following matters were voted upon at the meeting:

(i) The election of the following Directors, constituting the entire Board of Directors:

Margaret Hayes Adame  
Michael Bush  
Efraim Grinberg  
Gedaliao Grinberg  
Donald Oresman  
Leonard L. Silverstein

(ii) A proposal to ratify the selection of Price Waterhouse LLP as the Company's independent public accountants for the fiscal year ending January 31, 1998;

(iii) Approval of an amendment to the Company's Certificate of Incorporation to amend the definition of "Permitted Transferee" in respect of the Company's Class A Common Stock.

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

Proposal (i) on election of Directors:

| NOMINEE   | FOR        | AGAINST   | WITHHELD |
|---|------------|-----------|----------|
| Margaret Hayes Adame.....   | 32,330,834 | 0         | 12,987   |
| Michael Bush.....   | 32,330,834 | 0         | 12,987   |
| Efraim Grinberg.....  | 32,330,834 | 0         | 12,987   |
| Gedaliao Grinberg.....  | 32,330,834 | 0         | 12,987   |
| Donald Oresman.....   | 32,330,834 | 0         | 12,987   |
| Leonard L. Silverstein.....   | 32,330,209 | 0         | 13,612   |
| Proposal (ii) on ratification of appointment of<br>accountants.....             | 32,342,816 | 300       | 705      |
| Proposal (iii) on approval of Amendment to<br>Certificate of Incorporation..... | 31,173,776 | 1,154,078 | 15,967   |

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 10.1 Amended and Restated Credit Agreement dated as of July 23, 1997 among the Registrant, the Chase Manhattan Bank as Agent, Swingline Bank and Issuing Bank and Fleet Bank, N.A. as Co-Agent and the other Lenders Signatory thereto.
- 10.2 Amendment to Amended and Restated Credit Agreement dated as of August 5, 1997 among the Registrant, the Chase Manhattan Bank as Agent, Swingline Bank and Issuing Bank and Fleet Bank, N.A. as Co-Agent and the other Lenders Signatory thereto.
- 10.3 Consent to Sublease dated as of June 18, 1997 among the Registrant, Meadowlands Associates and Alexander and Alexander Consulting Group, Inc. ("ACCG"), and Sublease Agreement entered into as of May 7, 1997 by and between the Registrant and AACG.
- 11 Computation of net income per share.
- 27 Financial schedules.

(b) Reports on Form 8-K

None

SIGNATURES

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

MOVADO GROUP, INC.  
(Registrant)

Dated: September 12, 1997

By: /s/ KENNETH J. ADAMS

-----  
Kenneth J. Adams  
Senior Vice President and  
Chief Financial Officer  
(Chief Financial Officer)

Dated: September 12, 1997

By: /s/ JOHN J. ROONEY

-----  
John J. Rooney  
Corporate Controller  
(Principal Accounting Officer)

## EXHIBIT INDEX

| EXHIBIT<br>NUMBER | DESCRIPTION  |
|-------------------|--|
| 10.1              | Amended and Restated Credit Agreement dated as of July 23, 1997 among the Registrant, the Chase Manhattan Bank as Agent, Swingline Bank and Issuing Bank and Fleet Bank, N.A. as Co-Agent and the other Lenders Signatory thereto.                   |
| 10.2              | Amendment to Amended and Restated Credit Agreement dated as of August 5, 1997 among the Registrant, the Chase Manhattan Bank as Agent, Swingline Bank and Issuing Bank and Fleet Bank, N.A. as Co-Agent and the other Lenders Signatory thereto.     |
| 10.3              | Consent to Sublease dated as of June 18, 1997 among the Registrant, Meadowlands Associates and Alexander and Alexander Consulting Group, Inc. ("AACG") and Sublease Agreement entered into as of May 7, 1997 by and between the Registrant and AACG. |
| 11                | Computation of net income per share.   |
| 27                | Financial schedules.   |

## AMENDED AND RESTATED CREDIT AGREEMENT

dated as of July 23, 1997

among

MOVADO GROUP, INC.

and

the Lenders signatory hereto

and

THE CHASE MANHATTAN BANK,  
as Agent, and as Swingline Bank,  
and as Issuing Bank

and

FLEET BANK, N.A.,  
as Co-Agent

|  | Page |
|--|------|
|  | ---- |
| ARTICLE 1. DEFINITIONS; ACCOUNTING TERMS.....  | 1    |
| Section 1.01. Definitions.....   | 1    |
| Section 1.02. Accounting Terms.....  | 12   |
| Section 1.03. Exchange Rates.....  | 12   |
| Section 1.04. Prior Credit Agreement.....  | 13   |
| ARTICLE 2. THE LOANS.....  | 13   |
| Section 2.01. Syndicated Loans.....  | 13   |
| Section 2.02. Making of Syndicated Loans.....  | 13   |
| Section 2.03. Borrowing Procedure as to Syndicated Loans.....                            | 14   |
| Section 2.04. Swingline Loans.....   | 15   |
| Section 2.05. Refinancing by All Lenders of Swingline Loans.....                         | 16   |
| Section 2.06. Repayment of Loans.....  | 16   |
| Section 2.07. Certain Fees.....  | 17   |
| Section 2.08. Interest on Loans.....   | 17   |
| Section 2.09. Default Interest.....  | 18   |
| Section 2.10. Termination and Reduction of Commitments.....                              | 18   |
| Section 2.11. Conversion and Continuation of Borrowings.....                             | 19   |
| Section 2.12. Optional Prepayment.....   | 20   |
| Section 2.13. Mandatory Prepayments.....   | 20   |
| Section 2.14. Payments.....  | 21   |
| Section 2.15. Purpose.....   | 22   |
| ARTICLE 3. LETTERS OF CREDIT.....  | 22   |
| Section 3.01. Letters of Credit.....   | 22   |
| Section 3.02. Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions..... | 22   |
| Section 3.03. Minimum Amount; Expiration Date.....                                       | 23   |
| Section 3.04. Participations.....  | 23   |
| Section 3.05. Reimbursement.....   | 23   |
| Section 3.06. Obligations Absolute.....  | 23   |
| Section 3.07. Disbursement Procedures.....   | 24   |
| Section 3.08. Interim Interest.....  | 24   |
| Section 3.09. Letter of Credit Fees.....   | 25   |
| Section 3.10. Resignation of the Issuing Bank.....                                       | 25   |
| Section 3.11. Not Fiduciary.....   | 25   |
| Section 3.12. Purpose.....   | 26   |
| ARTICLE 4. YIELD PROTECTION; ILLEGALITY; ETC.....  | 26   |
| Section 4.01. Alternate Rate of Interest.....  | 26   |
| Section 4.02. Reserve Requirement; Change in Circumstances.....                          | 26   |
| Section 4.03. Change in Legality.....  | 28   |
| Section 4.04. Indemnity.....   | 29   |
| Section 4.05. Taxes.....   | 29   |

|               |   |    |
|---------------|---|----|
| Section 4.06. | Duty to Mitigate.....                                   | 30 |
| Section 4.07. | Replacement of Lenders.....                             | 31 |
| ARTICLE 5.    | CONDITIONS PRECEDENT.....                               | 31 |
| Section 5.01. | Documentary Conditions Precedent.....                   | 31 |
| Section 5.02. | Additional Conditions Precedent.....                    | 32 |
| Section 5.03. | Deemed Representations.....                             | 33 |
| ARTICLE 6.    | REPRESENTATIONS AND WARRANTIES.....                     | 33 |
| Section 6.01. | Incorporation, Good Standing and Due Qualification..... | 33 |
| Section 6.02. | Corporate Power and Authority; No Conflicts.....        | 33 |
| Section 6.03. | Legally Enforceable Agreements.....                     | 33 |
| Section 6.04. | Litigation.....   | 33 |
| Section 6.05. | Financial Statements.....                               | 34 |
| Section 6.06. | Ownership and Liens.....                                | 34 |
| Section 6.07. | Taxes.....  | 34 |
| Section 6.08. | ERISA.....  | 34 |
| Section 6.09. | Subsidiaries and Ownership of Stock.....                | 35 |
| Section 6.10. | Credit Arrangements.....                                | 35 |
| Section 6.11. | Operation of Business.....                              | 35 |
| Section 6.12. | Hazardous Materials.....                                | 35 |
| Section 6.13. | No Default on Outstanding Judgments or Orders.....      | 37 |
| Section 6.14. | No Defaults on Other Agreements.....                    | 37 |
| Section 6.15. | Labor Disputes and Acts of God.....                     | 37 |
| Section 6.16. | Governmental Regulation.....                            | 38 |
| Section 6.17. | Partnerships.....                                       | 38 |
| Section 6.18. | No Forfeiture.....                                      | 38 |
| Section 6.19. | Solvency.....   | 38 |
| ARTICLE 7.    | AFFIRMATIVE COVENANTS.....                              | 38 |
| Section 7.01. | Maintenance of Existence.....                           | 38 |
| Section 7.02. | Conduct of Business.....                                | 39 |
| Section 7.03. | Maintenance of Properties.....                          | 39 |
| Section 7.04. | Maintenance of Records.....                             | 39 |
| Section 7.05. | Maintenance of Insurance.....                           | 39 |
| Section 7.06. | Compliance with Laws; Payment of Taxes.....             | 39 |
| Section 7.07. | Right of Inspection.....                                | 39 |
| Section 7.08. | Reporting Requirements.....                             | 39 |
| Section 7.09. | Subsidiary Guarantee.....                               | 42 |
| Section 7.10. | Equal and Ratable Lien.....                             | 43 |
| ARTICLE 8.    | NEGATIVE COVENANTS.....                                 | 43 |
| Section 8.01. | Debt.....   | 43 |
| Section 8.02. | Guaranties, Etc.....                                    | 44 |
| Section 8.03. | Liens.....  | 45 |
| Section 8.04. | Leases.....   | 46 |
| Section 8.05. | Investments.....  | 47 |
| Section 8.06. | Dividends.....  | 48 |
| Section 8.07. | Sale of Assets.....                                     | 48 |
| Section 8.08. | Stock of Subsidiaries, Etc.....                         | 49 |



|                |  |    |
|----------------|--|----|
| Section 8.09.  | Transactions with Affiliates.....                    | 49 |
| Section 8.10.  | Mergers, Etc.....                                    | 49 |
| Section 8.11.  | Acquisitions.....                                    | 50 |
| Section 8.12.  | No Activities Leading to Forfeiture.....             | 50 |
| Section 8.13.  | No Material Change in Business.....                  | 50 |
| Section 8.14.  | No Restriction.....                                  | 50 |
| Section 8.15.  | Swap and Exchange Agreements.....                    | 50 |
| Section 8.16.  | Certain Subsidiary Liabilities.....                  | 50 |
| ARTICLE 9.     | FINANCIAL COVENANTS.....                             | 51 |
| Section 9.01.  | Tangible Net Worth.....                              | 51 |
| Section 9.02.  | Debt Ratio.....                                      | 51 |
| Section 9.03.  | Fixed Charge Coverage Ratio.....                     | 51 |
| Section 9.04.  | Leverage Ratio.....                                  | 52 |
| Section 9.05.  | Capital Expenditures.....                            | 52 |
| ARTICLE 10.    | EVENTS OF DEFAULT.....                               | 52 |
| Section 10.01. | Events of Default.....                               | 52 |
| ARTICLE 11.    | THE AGENT; RELATIONS AMONG LENDERS AND BORROWER..... | 54 |
| Section 11.01. | Appointment, Powers and Immunities of Agent.....     | 54 |
| Section 11.02. | Reliance by Agent.....                               | 55 |
| Section 11.03. | Defaults.....  | 55 |
| Section 11.04. | Rights of Agent as a Lender.....                     | 55 |
| Section 11.05. | Indemnification of Agent.....                        | 56 |
| Section 11.06. | Documents.....                                       | 56 |
| Section 11.07. | Non-Reliance on Agent and Other Lenders.....         | 56 |
| Section 11.08. | Failure of Agent to Act.....                         | 56 |
| Section 11.09. | Resignation or Removal of Agent.....                 | 56 |
| Section 11.10. | Amendments Concerning Agency Function.....           | 57 |
| Section 11.11. | Liability of Agent.....                              | 57 |
| Section 11.12. | Transfer of Agency Function.....                     | 57 |
| Section 11.13. | Non-Receipt of Funds by the Agent.....               | 57 |
| Section 11.14. | Withholding Taxes.....                               | 57 |
| Section 11.15. | Several Obligations and Rights of Lenders.....       | 58 |
| Section 11.16. | Pro Rata Treatment of Syndicated Loans, Etc.....     | 58 |
| Section 11.17. | Sharing of Payments Among Lenders.....               | 58 |
| Section 11.18. | Co-Agent.....  | 59 |
| ARTICLE 12.    | MISCELLANEOUS.....                                   | 59 |
| Section 12.01. | Amendments and Waivers.....                          | 59 |
| Section 12.02. | Usury.....   | 60 |
| Section 12.03. | Expenses.....  | 60 |
| Section 12.04. | Survival.....  | 60 |
| Section 12.05. | Assignment; Participations.....                      | 60 |
| Section 12.06. | Notices.....   | 62 |
| Section 12.07. | Setoff.....  | 63 |
| SECTION 12.08. | JURISDICTION; IMMUNITIES.....                        | 63 |
| Section 12.09. | Table of Contents; Headings.....                     | 63 |
| Section 12.10. | Severability.....                                    | 63 |

|                |                                       |    |
|----------------|---------------------------------------|----|
| Section 12.11. | Counterparts.....                     | 64 |
| Section 12.12. | Integration.....                      | 64 |
| SECTION 12.13. | GOVERNING LAW.....                    | 64 |
| Section 12.14. | Confidentiality.....                  | 64 |
| Section 12.15. | Treatment of Certain Information..... | 64 |
| Section 12.16. | Judgment Currency.....                | 64 |

## EXHIBITS

|             |   |
|-------------|---|
| Exhibit A-1 | Form of Syndicated Note                               |
| Exhibit A-2 | Form of Swingline Note                                |
| Exhibit B   | Form of Authorization Letter                          |
| Exhibit C   | Form of Opinion of Counsel for Borrower and Guarantor |
| Exhibit D   | Form of Guarantee                                     |
| Exhibit E   | Form of Assignment and Assumption Agreement           |
| Exhibit F   | Form of Confidentiality Agreement                     |

## SCHEDULES

|              |   |
|--------------|---|
| Schedule I   | Lenders and Amounts of Revolving Credit Commitments |
| Schedule II  | Subsidiaries of Borrower                            |
| Schedule III | Credit Arrangements                                 |
| Schedule IV  | Environmental Matters                               |

AMENDED AND RESTATED CREDIT AGREEMENT dated as of July 23, 1997 among MOVADO GROUP, INC., a corporation organized under the laws of New York (the "Borrower"); each of the lenders which is a signatory hereto (individually a "Lender" and collectively the "Lenders"); THE CHASE MANHATTAN BANK, a New York banking corporation, as agent for the Lenders (in such capacity, together with its successors in such capacity, the "Agent"), and as swingline bank (in such capacity, together with its successor in such capacity, the "Swingline Bank"), and as issuing bank (in such capacity, together with its successors in such capacity, the "Issuing Bank"); and FLEET BANK, N.A., a national banking association, as co-agent for the Lenders (the "Co-Agent").

The Borrower desires 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 Borrower, the Lenders, the Swingline Bank, the Issuing Bank and the Agent agree as follows:

#### ARTICLE 1. DEFINITIONS; ACCOUNTING TERMS.

Section 1.01. 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 the product of (a) the LIBO Rate in effect for such Interest Period and (b) Statutory Reserves.

"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.

"Agent Fees" is defined in Section 2.07.

"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.

"Aggregate Net Cash Proceeds" means, as to sales and mergers that are Designated Sales, the aggregate cash proceeds received by the Borrower or a Subsidiary (including cash proceeds subsequently received (as and when received) in respect of non-cash consideration initially received), net of (a) selling expenses (including reasonable broker's fees or commissions, transfer and similar taxes, and the Borrower's good faith estimate of income taxes paid or payable in connection with the receipt of such cash proceeds), and (b) amounts provided as a reserve, in accordance with GAAP, against any liabilities under indemnification obligations associated with such sales and mergers (provided that, to the extent and at such time any such amounts are released from such reserve, such amounts shall be included in Aggregate Net Cash Proceeds).

"Agreement" means this Amended and Restated Credit Agreement, as amended or supplemented from time to time. References to Articles, Sections, Exhibits, Schedules and the like refer to the Articles, Sections, Exhibits, Schedules and the like of this Agreement unless otherwise indicated.

"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, or (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 on the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Assignment and Assumption Agreement" is defined in Section 12.05.

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

"Average Debt Coverage Ratio" for a period means the ratio of (i) the average for such period of 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 Borrower 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 Borrower and its Consolidated Subsidiaries on a consolidated basis, to (ii) consolidated earnings before interest, taxes, depreciation and amortization of the Borrower and its Consolidated Subsidiaries for such period.

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

"Borrower" means Movado Group, Inc., a New York corporation.

"Borrowing" means (in the case of Syndicated Loans) a group of Syndicated Loans of a single Type made by the Lenders on a single date and as to which a single Interest Period is in effect or (in the case of Swingline Loans) 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 4.04.

"Business Day" means any day other than a Saturday, Sunday or day on which 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 and (b) when used in connection with a Swiss Franc Loan, the term "Business Day" shall also exclude any day on which banks in London are required by law to remain closed.

"Capital Expenditures" means for any period, the dollar amount of gross expenditures (including obligations under Capital Leases) made for fixed assets, real property, plant and equipment, and all renewals, improvements and replacements thereto (but not repairs thereof) incurred during such period, as 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.

"Closing Date" means the date this Agreement has been executed and delivered by the Borrower, the Lenders, the Swingline Bank, the Issuing Bank and the Agent.

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

"Commitment Fee" is defined in Section 2.07.

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

"Consolidated Net Income" is defined in Section 9.01.

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

"Consolidated Tangible Net Worth" means Tangible Net Worth of the Borrower 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 Borrower are derived from the exploitation by the Borrower 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; (f) obligations secured by any Lien on property of such Person; and (g) obligations of such Person as lessee under Capital Leases.

"Debt Ratio" is defined in Section 9.02.

"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 2.09.

"Designated Sales" means (i) sales of assets of the Borrower or any Subsidiary that are prohibited by Section 8.07 (excluding clause (f) thereof), and (ii) sales of all the shares of capital stock of any Subsidiary that are prohibited by Section 8.08 (excluding clause (c) 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, and provided further that:

(a) in the case of such a sale or merger that is the Special Transaction: 50% of the excess over \$30,000,000 of the Aggregate Net Cash Proceeds of such sale and merger shall (immediately upon receipt by the Borrower or such Subsidiary) be applied to prepay the Swingline Loans and the Syndicated Loans and to secure the L/C Exposure (in the sequence and manner provided in Section 8.01(e)), and the Total Revolving Credit Commitment shall be permanently reduced by an amount equal to 50% of such excess over \$30,000,000; and

(b) in the case of such sales and mergers that are not the Special Transaction: 50% of the excess over \$15,000,000 of the Aggregate Net Cash Proceeds of all such sales and mergers shall (immediately upon receipt by the Borrower or such Subsidiary) be applied to reduce the Swingline Loans and the Syndicated Loans and to secure the L/C Exposure (in the sequence and manner provided in Section 8.01(e)), and the total Revolving Credit Commitment shall be permanently reduced by an amount equal to 50% of such excess over \$15,000,000; and

(c) in the case of each such sale and merger (whether or not it is the Special Transaction): the Borrower shall provide to the Agent at least 20 days before the effective date of such sale or merger, for distribution to the Lenders, a pro-forma consolidated balance sheet and income statement as to the Borrower and its Consolidated Subsidiaries after giving effect to such sale or merger, together with a written certification of the Borrower that such sale or merger will not result in a Default, either immediately or (based upon the Borrower's reasonable and good faith projections) at any time thereafter prior to the Maturity Date.

"Dollar Equivalent" means, on any date of determination, with respect to any amount in Swiss francs, the equivalent in dollars of such amount, determined by the Agent pursuant to Section 1.03 using the Exchange Rate with respect to Swiss francs then in effect.

"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 corporation or trade or business which is a member of any group of organizations (i) described in Section 414(b) or (c) of the Code of which the Borrower 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 Borrower is a member.

"Event of Default" is defined in Section 10.01.

"Exchange Rate" means, on any day, with respect to Swiss francs, the rate at which Swiss francs may be exchanged into dollars (and, for purposes of Sections 2.02(e), 2.11(vii), 4.01(i), and 4.03(a)(ii), the rate at which dollars may be exchanged into Swiss francs), as set forth at approximately 11:00 a.m. London time, on such date on the Reuters World Currency Page for Swiss francs. In the event that such rate does not appear on any Reuters World Currency Page, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Agent and the Borrower, or, in the absence of such agreement, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Agent in the market where its foreign currency exchange operations in respect of Swiss francs are then being conducted, at or about 11:00 a.m., local time, on such date for the purchase of dollars (or Swiss francs, as the case may be) 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 Agent may use any reasonable method it deems appropriate to determine such rate, and such determination shall be presumed correct absent manifest error.

"Excluded Taxes" means, with respect to the 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 the Borrower hereunder, (a) (i) income or franchise taxes imposed on (or measured by) its net income, 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 "foreign Lender"), any withholding tax that is imposed on amounts payable hereunder to such foreign 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 foreign Lender's failure to comply with Section 11.14.

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

"Federal Funds Effective Rate" means, for any day, the weighted average 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 of the quotations for the day for such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Fee Letter" means the Fee Letter dated the Closing Date between the Borrower and the Agent.

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

"Fixed Charge Coverage Ratio" is defined in Section 9.03.

"Forfeiture Proceeding" means any action or proceeding against the Borrower 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, which (if determined adversely to the Borrower or such Subsidiary) would, in any one case or in the aggregate, materially adversely affect the financial condition, operations or business of the Borrower and its Subsidiaries taken as a whole or the ability of the Borrower to perform its obligations under the Facility Documents to which it is a party.

"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 6.05.

"Governmental Authority" means any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"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.

"Guarantee" means a guarantee executed and delivered by a Guarantor in favor of the Lenders, the Swingline Bank, the Issuing Bank and the Agent in substantially the form attached hereto as Exhibit D (including, without limitation, the SwissAm Guarantee).

"Guarantors" means SwissAm and each other Subsidiary that becomes a Guarantor pursuant to Section 7.09.

"Hazardous Material" is defined in Section 6.12.

"HLT" Classification" is defined in Section 4.07.

"Inactive Subsidiary" means a Subsidiary of the Borrower 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.

"including" is deemed to mean "including without limitation".

"Incremental TNW Amount" is defined in Section 9.01.

"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.



"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 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 (as to a Borrowing of Syndicated Loans) the date of any conversion of such Borrowing to a Borrowing of a different Type.

"Interest Period" means

(a) as to any LIBOR 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, 3 or 6 months thereafter, as the Borrower may elect; and

(b) as to any ABR Borrowing, the period commencing on the date of such Borrowing and ending on the earliest of (i) the next succeeding March 31, June 30, September 30 or December 31, (ii) the Maturity Date, and (iii) the date such Borrowing is converted to a Borrowing of a different Type in accordance with Section 2.11 or prepaid in accordance with Section 2.11 or 2.12;

provided, however, that 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 LIBOR Borrowing 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. 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 The Chase Manhattan Bank and its successors.

"Issuing Bank Fees" is defined in Section 3.09.

"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 that are denominated in dollars, plus the Dollar Equivalent at such time of the aggregate undrawn amount of all outstanding Letters of Credit at such time that are denominated in Swiss francs, plus (b) the aggregate principal amount of all L/C Disbursements denominated in dollars that have not yet been reimbursed at such time plus the Dollar Equivalent at such time of the aggregate principal amount of all L/C Disbursements denominated in Swiss francs 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 3.09.

"L/C Reimbursement Loans" means Syndicated Loans made pursuant to Section 2.02(e), in order to reimburse the Issuing Bank for an L/C Disbursement.

"Lenders" means (a) the financial institutions listed on Schedule I (other than any such financial institution that has ceased to be a party hereto pursuant to an Assignment and Assumption Agreement) and (b) any financial institution 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, the lending office of such Lender (or of an Affiliate of such Lender) designated as such for such Type of Loan on its signature page hereof or such other office of such Lender (or of an Affiliate of such Lender) as such Lender may from time to time specify to the Agent and the Borrower as the office by which its Loans of such Type are to be made and maintained.

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

"Leverage Ratio" is defined in Section 9.04.

"LIBO Rate" means, with respect to any LIBOR Borrowing for any Interest Period, the rate appearing on Page 3750 (or, in the case of a Swiss Franc Borrowing, the rate appearing on the Page for Swiss francs) 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 Agent, in consultation with the Borrower, from time to time for purposes of providing quotations of interest rates applicable to dollar deposits (or, in the case of a Swiss Franc Borrowing, deposits in Swiss francs) 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 (or, if applicable, 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 LIBOR Borrowing for such Interest Period shall be the rate at which the Agent is offered dollar deposits of \$5,000,000 (or, in the case of a Swiss Franc Borrowing, deposits in Swiss francs in an amount the Dollar Equivalent of which is approximately equal to \$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.

"Margin", for a LIBOR Loan, means .75% per annum initially; provided, however, that after the end of each fiscal quarter from and after July 31, 1997, the Margin shall be subject to change as hereinafter provided. Where the Average Debt Coverage Ratio for a period consisting of a fiscal quarter and the three preceding fiscal quarters is within one of the ranges set forth below, the Margin shall be the amount set forth opposite such range:

Ranges

Margin

|  |                 |
|--|-----------------|
| Greater than 3.35                                    | 1.35% per annum |
| Equal to or less than<br>3.35, but greater than 3.25 | 1.0% per annum  |
| Equal to or less than<br>3.25, but greater than 2.50 | .75% per annum  |
| Equal to or less than 2.50                           | .50% per annum; |

provided, however, that if an Event of Default exists, the Margin shall be 1.35% per annum (which shall be exclusive of the 2% incremental increase represented by the Default Rate). Each change in the Margin following the end of a fiscal quarter shall become effective on the first day of the calendar month following the delivery by the Borrower to the Agent of the financial statements for such fiscal quarter required by Section 7.08(a) or (b) of this Agreement; no change in the Margin shall be retroactive. (There is no Margin as to ABR Loans).

"Maturity Date" means the third anniversary of the Closing Date.

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

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

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

"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 Standard & Poor's Ratings Service or from Moody's Investors Service, Inc.;

(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 Borrower 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 Agent as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective on the date such change is publicly announced as being effective.

"Prior Credit Agreement" is defined in Section 1.04.

"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 such Commitments shall have expired or been terminated by reason of an Event of Default, such percentage immediately prior to such expiration or termination, giving effect to any assignments by or to such Lender pursuant to Section 12.05.

"Prudential Notes" means the senior promissory notes of the Borrower in the original aggregate principal amount of \$40,000,000 issued pursuant to the Note Agreement dated as of November 9, 1993 between the Borrower and The Prudential Insurance Company of America.

"Reference Lender" means The Chase Manhattan Bank.

"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.

"Release" is defined in Section 6.12.

"Required Lenders" means, at any time, Lenders having Syndicated Loans outstanding, L/C Exposure and unused Revolving Credit Commitments representing at least 56% of the sum of all Syndicated Loans outstanding, L/C Exposure and unused Revolving Credit Commitments at such time.

"Required Payment" is defined in Section 11.13.

"Retail Rent Differential" is defined in Section 8.04.

"Revolving Credit Commitment" means, with respect to each Lender, the commitment of such Lender to make Syndicated 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 applicable, as the same may be (a) reduced from time to time pursuant to Section 2.10 and (b)

reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 12.05.

"Special Transaction" means the first Designated Sale (which term shall be construed, for the purpose of this definition of "Special Transaction" only, to exclude clauses (a) and (b) of the definition of the term "Designated Sale") to occur after the Closing Date as a result of which the Borrower or any of its Subsidiaries transfers all or substantially all the assets and assigns all or substantially all the liabilities relating entirely and exclusively to one and the same brand of products theretofore included within the Core Business, so long as such transfer and assignment is to any Person or Persons none of which is an Affiliate of the Borrower.

"Statutory Reserves" means, with respect to dollars or any other currency, 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 banks in such jurisdiction are 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.

"Swingline Bank" means The Chase Manhattan Bank.

"Swingline Loan Borrowing Request" means a request by the Borrower for a Swingline Loan in accordance with the terms of Section 2.05 in form satisfactory to the Agent.

"Swingline Loan Note" is defined in Section 2.06.

"Swingline Loans" means the revolving loans made by the Swingline Bank to the Borrower pursuant to Section 2.04. Each Swingline Loan shall be an ABR Loan.

"Swiss Franc Borrowing" means a Borrowing comprised of Swiss Franc Loans.

"Swiss Franc Equivalent" means, on any date of determination, with respect to any amount in dollars, the equivalent in Swiss francs of such amount, determined by the Agent using the Exchange Rate with respect to Swiss francs then in effect as determined pursuant to Section 1.03.

"Swiss Franc Loan" means a Syndicated Loan denominated in Swiss francs.

"Swiss francs" means lawful money of Switzerland.

"SwissAm" means SwissAm Inc., a New Jersey corporation.

"SwissAm Guarantee" means the Guarantee executed and delivered by SwissAm on the Closing Date in favor of the Lenders, the Swingline Bank, the Issuing Bank and the Agent.

"Syndicated Loan Borrowing Request" means a request by the Borrower for Syndicated Loans in accordance with the terms of Section 2.03 in form satisfactory to the 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 Swiss Franc Loans.

"Syndicated Loan Note" is defined in Section 2.06.

"Syndicated Loans" means the revolving loans made by the Lenders to the Borrower pursuant to Section 2.01 or (in the case of loans to refinance a Swingline Loan) Section 2.05. Each Syndicated Loan shall be a LIBOR Loan or an ABR 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, 1997; and (B) any foreign exchange translation adjustment in the cumulative amount that would 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" shall include the Adjusted LIBO Rate and the Alternate Base Rate, and the term "currency" shall include dollars and 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 Borrower or any ERISA Affiliate under Title IV of ERISA.

Section 1.02. 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 Borrower and the Required Lenders otherwise agree in writing.

Section 1.03. Exchange Rates. For the purpose of calculating the amount of Syndicated Loan Exposure as to Swiss Franc Loans, and for the purpose of the calculation under Section 2.01(ii) of the Dollar Equivalent of Swiss Franc Loans, the Exchange Rate shall be determined with respect to each Swiss Franc Loan as of the Business Day which is two Business Days prior to the first day of the current Interest Period for such Swiss Franc Loan, and such Exchange Rate shall remain in effect (for such purposes, as to such Swiss Franc Loan) until the last day of such Interest Period. For the purpose of calculating the amount of the L/C Exposure as to Letters of Credit denominated in Swiss francs, the Exchange Rate shall be determined with respect to each such Letter of Credit as of the Business Day which is two Business Days prior to the date of issuance thereof and such Exchange Rate shall remain in effect (for such purpose, as to such Letter of Credit) for so long as such Letter of Credit remains outstanding, except that as to each standby Letter of Credit denominated in Swiss francs that is outstanding for more than six months, the Exchange Rate shall (for such purpose, as to such Letter of Credit) be re-determined on each successive semi-annual anniversary of the date of issuance of such Letter of Credit. For all other purposes, the Exchange Rate shall be determined on a daily basis. The Agent shall notify the Borrower of (i) the Exchange Rate determined under the first sentence of this paragraph, promptly after the first day of the applicable Interest Period, (ii) the Exchange Rate determined under the second sentence of this paragraph, promptly after the date of issuance of the applicable Letter of Credit (and, if such Letter of Credit is a standby Letter of Credit denominated in Swiss francs that is outstanding more than 6 months, promptly after each successive semi-annual anniversary of its date of issuance for so long as such Letter of Credit is outstanding), and (iii) the Exchange Rate determined under the third sentence of this paragraph, promptly after written request from the Borrower from time to time.

Section 1.04. Prior Credit Agreement. This Agreement and the Notes issued pursuant hereto amend, restate, supersede and replace in their entirety the Credit Agreement dated as of January 31, 1996 (the "Prior Credit Agreement") among the Borrower (under its former name, North American Watch Corporation), the Banks signatory thereto, The Chase Manhattan Bank (National Association), as agent, and NatWest Bank N.A., as co-agent, and the promissory notes issued pursuant thereto.

## ARTICLE 2. THE LOANS.

Section 2.01. Syndicated Loans. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make Syndicated Loans to the Borrower, at any time and from time to time on or after the date hereof, and until the earlier of the Maturity Date or the termination of the Revolving Credit Commitment of such Lender in accordance with the terms hereof, in dollars or Swiss francs (as specified in the Syndicated Loan Borrowing Requests with respect thereto), in an aggregate principal amount at any time outstanding that will not result in:

(i) the sum of (a) such Lender's Syndicated Loan Exposure, plus (b) such Lender's L/C Exposure, plus (c) 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 Swiss Franc Loans being in excess of such Lender's Pro Rata Percentage of \$30,000,000, 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 Borrower may borrow, pay or prepay and reborrow Syndicated Loans.

Section 2.02. 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 applicable 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). Except for Syndicated Loans that are L/C Reimbursement Loans and Syndicated Loans that are made pursuant to Section 2.05(a) in order to refinance Swingline Loans, the Syndicated Loans comprising any Borrowing shall be in an aggregate principal amount that is an integral multiple of \$500,000 and not less than \$1,000,000 (in the case of each ABR Borrowing) or \$2,500,000 (in the case of each LIBOR Borrowing of dollars) or the Swiss Franc Equivalent of \$1,250,000 (in the case of each Swiss Franc Borrowing).

(b) Subject to Sections 4.01 and 4.03, each Borrowing of Syndicated Loans shall be comprised entirely of ABR Loans or LIBOR Loans as the Borrower may request pursuant to Section 2.03. Each Swiss Franc Borrowing shall be comprised entirely of LIBOR Loans. Each Lender may at its option make any LIBOR Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the 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 the Borrower shall not be entitled to request any Borrowing that, if made, would result in more than twelve LIBOR Borrowings outstanding hereunder at any time. For purposes of the foregoing, Borrowings having different Interest Periods or denominated in different currencies, regardless of whether they commence on the same date, shall be considered separate Borrowings.

(c) Except with respect to Syndicated Loans that are L/C Reimbursement Loans, each Lender shall make each Syndicated Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to such account as the Agent may designate not later than 12:00 (noon), New York City time, in the case of fundings in dollars to an account in New York City, or 11:00 a.m., local time, in the case of fundings in Swiss francs to an account in London or Switzerland, and the Agent shall promptly credit the amounts so received to an account in the name of the Borrower maintained with the Agent in New York City or London (as the case may be) or to another account designated by the Borrower in writing and approved by the Agent, or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request any Borrowing of LIBOR Loans if the Interest Period requested with respect thereto would end after the Maturity Date.



(e) If the Issuing Bank shall not have received from the Borrower the payment required to be made by Section 3.05 within the time specified in such Section, the Issuing Bank will promptly notify the Agent of the L/C Disbursement and the Agent will promptly notify each Lender of such L/C Disbursement and its Pro Rata Percentage thereof and (if such L/C Disbursement is made in Swiss francs) the Dollar Equivalent of such L/C Disbursement, based on the Exchange Rate in effect on the date of such L/C Disbursement. Each Lender shall pay by wire transfer of immediately available funds to the Agent not later than 2:00 p.m., New York City time, on the date it receives such notice (or, if such Lender shall have received such notice later than 12:00 (noon) New York City time, on any day, then not later than 10:00 a.m., New York City time, on the immediately following Business Day), an amount equal to such Lender's Pro Rata Percentage of such L/C Disbursement (or the Dollar Equivalent thereof, as provided in the preceding sentence); such payment shall constitute a Syndicated Loan and an ABR Loan of such Lender, and such payment shall reduce the L/C Exposure. The Agent will promptly pay to the Issuing Bank amounts so received by it from the Lenders. The Agent will promptly pay to the Issuing Bank any amounts received by it from the Borrower pursuant to Section 3.05 prior to the time that any Lender makes any payment pursuant to this paragraph (e); any such amounts received by the Agent thereafter will be promptly remitted by the Agent to the Lenders that shall have made such payments and to the Issuing Bank, as their interests may appear. If any Lender shall not have made its Pro Rata Percentage of such L/C Disbursement available to the Agent as provided above, such Lender and the Borrower severally agree to pay interest on such amount, for each day from and including the date such amount is required to be paid in accordance with this paragraph to but excluding the date such amount is paid, to the Agent for the account of the Issuing Bank at (f) in the case of the Borrower, a rate per annum equal to the Alternate Base Rate, and (g) in the case of such Lender, for the first such day, the Federal Funds Effective Rate, and for each day thereafter, the Alternate Base Rate.

Section 2.03. Borrowing Procedure as to Syndicated Loans. In order to request a Borrowing of Syndicated Loans (other than a Borrowing of an L/C Reimbursement Loan, as to which this Section 2.03 shall not apply), the Borrower shall hand deliver or telecopy to the Agent a duly completed Syndicated Loan Borrowing Request (a) in the case of a Swiss Franc Borrowing and in the case of a LIBOR Borrowing denominated in dollars, not later than 11:00 a.m., New York City time (or, if the Syndicated Loan Borrowing Request is delivered or telecopied to the Agent in London, 10:00 a.m., London time), 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. Each Syndicated Loan Borrowing Request shall be irrevocable, shall be signed on behalf of the 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 2.02(c)); (e) the amount of such Borrowing (which shall be expressed in dollars, regardless of whether such Borrowing is a Swiss Franc Borrowing); (f) whether such Borrowing is to be a Borrowing denominated in dollars or a Swiss Franc Borrowing; and (g) if such Borrowing is to be a LIBOR Borrowing, the Interest Period or Periods with respect thereto; 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 2.02. If no election as to the currency of any Borrowing is specified in any such notice, then the requested Borrowing shall be denominated in dollars. If no election as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing if denominated in dollars or a LIBOR Borrowing if denominated in Swiss francs. If no Interest Period with respect to any LIBOR Borrowing is specified in any such notice, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Agent

shall promptly advise the Lenders of any notice given pursuant to this Section 2.03 (and the contents thereof), and of each Lender's portion of the requested Borrowing and, in the case of any Swiss Franc Borrowing, of the Swiss Franc equivalent of such Borrowing and the Exchange Rate utilized to determine such amount.

Section 2.04. Swingline Loans. (a) Subject to the terms and conditions and relying upon the representations and warranties herein set forth, the Swingline Bank agrees to make Swingline Loans to the Borrower, at any time and from time to time on and after the date hereof until two Business Days before the Maturity Date, 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.

Within such limits, and subject to the terms, conditions and limitations set forth herein, the Borrower 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 \$500,000.

(d) In order to request a Borrowing of a Swingline Loan, the Borrower shall hand deliver or telecopy to the 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. Each Swingline Loan Borrowing Request shall be irrevocable, shall be signed on behalf of the Borrower, shall refer to this Agreement and shall state (i) that the requested Borrowing is to be of a Swingline Loan, and (ii) the amount of such Borrowing, and (iii) the date of such Borrowing (which is to be a Business Day). The 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 Agent, in immediately available funds, at an account designated and maintained by the Agent. The amount so received by the Agent shall, subject to the terms and conditions of this Agreement, be made available to the Borrower by depositing the same in an account of the Borrower maintained at the Agent.

Section 2.05. Refinancing by All Lenders of Swingline Loans. (a) At any time and from time to time, on any Business Day, the Swingline Bank may in its sole discretion give notice to the Lenders that one or more of the Swingline Loans (the aggregate amount of which shall be specified in such notice) shall be refinanced with a Borrowing of Syndicated Loans in dollars. Each Lender shall pay by wire transfer of immediately available funds to the 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 12:00 (noon), New York City time on any day, then not later than 10:00 a.m. on the immediately following Business Day) an amount equal to such Lender's Pro Rata Percentage of the aggregate amount of such Syndicated Loans specified in such notice; such payment shall constitute a Syndicated Loan and an ABR Loan of such Lender, and such payment shall reduce (to the extent of such payment) the Swingline Loans specified in such notice. The Agent shall promptly pay to the Swingline Bank amounts so received by it from the Lenders. If any Lender shall not have made its Pro Rata

Percentage of such aggregate amount specified in such notice available to the Agent as provided in the immediately preceding sentence, such Lender shall (independently of and in addition to the Borrower's obligation to pay interest on such amount) pay interest on its Pro Rata Percentage of such amount, for each day from and including the date the same is required to be paid in accordance with this paragraph to but excluding the date the same is paid, to the 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, the Alternate Base Rate.

(b) By borrowing any Swingline Loan, the Borrower irrevocably agrees to incur the Borrowing of Syndicated Loans with respect to such Swingline Loan as provided in this Section if and when the Swingline Bank elects in its discretion to require a refinancing thereof as provided in this Section.

(c) Each Lender hereby irrevocably agrees to make a Syndicated Loan in the amount and in the manner and on each date specified in paragraph (a) of this Section, irrespective of whether or not a Default or Event of Default exists or whether any condition specified in Article 5 is satisfied, and notwithstanding that the amount of such Borrowing may not comply with the minimum amount for Borrowings of Syndicated Loans otherwise specified herein.

(d) In the event that any Borrowing described in this Section cannot for any reason be made on the date required in this Section (including, without limitation, as a result of the commencement of a proceeding under the Federal bankruptcy code with respect to the Borrower), then each Lender shall forthwith purchase (as of the date that such Borrowing would otherwise have occurred) from the Swingline Bank such participations in the outstanding Swingline Loans as shall be necessary to cause the Lenders to share in the outstanding Swingline Loans ratably in accordance with their respective Pro Rata Percentages. Each Lender shall in addition pay to the Agent for the account of the Swingline Bank interest on the amount of such obligation of such Lender, for each day from and including the date such amount is required to be paid in accordance with this paragraph to but excluding the date such amount is paid, at (i) for the first such day, the Federal Funds Effective Rate, and (ii) for each day thereafter, the Alternate Base Rate.

Section 2.06. Repayment of Loans. (a) The Borrower hereby unconditionally agrees to pay to the Agent for the account of each Lender on the Maturity Date the then unpaid principal amount of each Syndicated Loan. Such obligation in favor of each Lender shall be evidenced by a promissory note in favor of such Lender in substantially the form of Exhibit A-1 hereto (the "Syndicated Loan Note" of such Lender).

(b) The Borrower hereby unconditionally agrees to pay to the Agent for the account of the Swingline Bank the unpaid principal amount of each Swingline Loan on the Maturity Date. Such obligation in favor of the Swingline Bank shall be evidenced by a single promissory note 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 the Borrower to such Lender or the Swingline Bank 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 Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Type thereof, the Interest Period applicable thereto 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 the Borrower to each Lender or the Swingline Bank hereunder and (iii) the amount of any sum received by the Agent hereunder from the 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 Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrower to repay the Loans in accordance with their terms.

Section 2.07. Certain Fees. (a) The Borrower agrees to pay to each Lender, through the 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 (a "Commitment Fee") equal to one-fifth of one percent (1/5 of 1%) per annum on 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). "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. All 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 date of acceptance by the Borrower of the Revolving Credit Commitment of such Lender and shall cease to accrue on the date on which the Commitment of such Lender shall expire or be terminated as provided herein,

(b) The Borrower agrees to pay to the Agent, for its own account, the agency fees set forth in the Fee Letter at the times and in the amounts specified therein (the "Agent Fees").

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

Section 2.08. Interest on Loans. (a) Subject to the provisions of Section 2.09, 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 2.09, the Loans comprising each LIBOR 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 Adjusted LIBOR Rate for the Interest Period in effect for such Borrowing plus the Margin in effect from time to time.

(c) Interest on each Loan shall be payable on the Interest Payment Dates applicable to such Loan except as otherwise provided in this Agreement. The applicable Alternate Base Rate or Adjusted LIBOR Rate for each Interest Period or day within an Interest Period, as the

case may be, shall be determined by the Agent, and such determination shall be conclusive absent manifest error.

Section 2.09. Default Interest. If the Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due under this Agreement, at stated maturity, by acceleration or otherwise, or under any other Facility Document, the Borrower shall on demand from time to time pay interest, to the extent permitted by law, on such defaulted amount to but excluding the date of actual payment (after as well as before judgment) at a rate (the "Default Rate") equal to (a) in the case of overdue principal, the rate otherwise applicable to such Loan pursuant to Section 2.08 plus 2.00% per annum and (b) in all other cases, the Alternate Base Rate plus 2.00% 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 Agent, the Borrower 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).

(c) If a transaction occurs that is not permitted pursuant to Section 8.07 or Section 8.08 or Section 8.10 other than as a Designated Sale, then the Revolving Credit Commitments shall be reduced to the extent provided in the definition of Designated Sales.

(d) If proceeds of the sale(s) of assets by the Borrower or any of its Subsidiaries are applied to the complete or partial retirement of the Prudential Notes (whether by prepayment or reacquisition by the Borrower or such Subsidiary or otherwise), then (in addition to any reduction effected pursuant to paragraph (c) of this Section) the Revolving Credit Commitments shall be reduced by the percentage equivalent of a fraction whose numerator is the amount of the Prudential Notes so retired and whose denominator is the outstanding principal amount of the Prudential Notes immediately prior to such retirement. The Borrower shall give the Agent and the Lenders seven (7) days' prior written notice of any complete or partial retirement of the Prudential Notes out of proceeds of any such sale(s) of assets.

(e) Each reduction in the Revolving Credit Commitments hereunder shall be made ratably among the Lenders in accordance with their respective Revolving Credit Commitments. The Borrower shall pay to the 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 Borrower shall have the right at any time upon prior irrevocable notice to the Agent (a) 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, (b) not later than 11:00 a.m., New York City time, 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 (c) not later than 11:00 a.m., New York City time, 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 2.02(a) and 2.02(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 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 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 Borrower shall pay, upon demand, any amounts due the Lenders pursuant to Section 4.04;

(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;

(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 in dollars) or be repaid by the Borrower (if such LIBOR Borrowing is in Swiss francs); and

(vii) upon notice to the Borrower from the Agent given at the request of the Required Lenders, after the occurrence and during the continuance of a Default or Event of Default, (x) no outstanding Loan may be converted into, or continued as, a LIBOR Loan, (y) unless repaid, each LIBOR Borrowing (other than a Swiss Franc Borrowing) shall be converted into an ABR Borrowing at the end of the Interest Period applicable thereto and (z) unless repaid, each Swiss Franc Borrowing shall be converted into an ABR Borrowing at the Exchange Rate determined by the Agent on the last day of the Interest Period applicable thereto.

Each notice pursuant to this Section shall be irrevocable and shall refer to this Agreement and specify (i) the identity and amount of the Borrowing that the Borrower requests 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 Borrower shall be deemed to have selected an Interest Period of one month's duration. The 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 the Borrower shall not have given notice in accordance with this Section to continue any LIBOR Borrowing of Syndicated Loans into a subsequent Interest Period (and shall not otherwise have given notice in accordance with this Section to convert such Borrowing), such Borrowing shall, at the end of the Interest Period applicable thereto (unless repaid pursuant to the terms hereof), automatically be continued into a new Interest Period as an ABR Borrowing (unless such Borrowing is a Swiss Franc Borrowing, in which case such Borrowing shall become due and payable on the last day of such Interest Period).

(b) Each ABR Borrowing shall, if such ABR Borrowing remains outstanding on the last day of an Interest Period, automatically be continued into a new Interest Period. A Swingline Loan may not be converted into a LIBOR Loan.

Section 2.12. Optional Prepayment. (a) The 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) prior written or telecopy notice to the Agent before 11:00 a.m., New York City time (or, in the case of prepayment of a Swiss Franc Borrowing in respect of which previous notices have been delivered to the Agent in London, then to the Agent in London before 10:00 a.m. London time); provided, however, that each partial prepayment shall be in an amount that is an integral multiple of \$500,000 and not less than \$1,000,000 (or the Swiss Franc Equivalent thereof).

(b) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing by the amount stated therein on the date stated therein. All prepayments under this Section 2.12 shall be subject to Section 4.04 but otherwise without premium or penalty. All prepayments under this Section 2.12 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, the Borrower shall on the date of such termination repay or prepay all its outstanding Borrowings and (if any L/C Exposure exists) remit to the 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 Borrower 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 (i) at or prior to the effective date of such reduction, the Agent shall notify the Borrower 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 the Borrower shall prepay Borrowings in an amount sufficient to eliminate such excess and (if the prepayment of Borrowings is not sufficient to eliminate such excess) remit to the 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 Borrower 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 paragraphs (c) and (d) of Section 2.10.

(c) In addition, if on any day the Aggregate Credit Exposure would exceed the Total Revolving Credit Commitment, then the Borrower shall, within one Business Day, prepay Borrowings in an amount sufficient to eliminate such excess.

(d) All prepayments of Borrowings under this Section shall be subject to Section 4.04, but shall otherwise be without premium or penalty.

(e) Amounts to be applied pursuant to this Section to the prepayment of 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 (in respect of LIBOR Loans) be applied to prepay LIBOR Loans immediately and/or, if elected by the Borrower provided no Event of Default exists, be deposited in the Cash Collateral Account, and (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, the Borrower shall (unless an Event of Default exists) be entitled to designate which LIBOR Borrowings are to be prepaid, by giving written notice of such designation to the Agent at or before the remittance to the Agent of the amounts to be applied in prepayment.

(f) The Agent shall apply any cash deposited in the Cash Collateral Account (i) in respect of LIBOR Loans, to prepay LIBOR Loans on the last day of their respective Interest Periods (or, at the direction of the Borrower, 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; and (ii) in respect of L/C Exposure, to pay as and when the same becomes due the reimbursement obligation of the Borrower in respect of Letters of Credit. For purposes of this Agreement, the term "Cash Collateral Account" shall mean an account established by the Borrower with the Agent and over which the Agent shall have exclusive dominion and control, including the exclusive right of withdrawal for application in accordance with this paragraph. The Agent will, at the request of the Borrower, invest amounts on deposit in the Cash Collateral Account in Permitted Investments; provided, however, that (i) the Agent shall not be required to make any investment that, in its sole judgment, would require or cause the Agent to be in, or would result in any, violation of any law, statute, rule or regulation, and (ii) the Agent shall have no obligation to invest amounts on deposit in the Cash Collateral Account if a Default or 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 Borrower shall indemnify the Agent for any losses relating to the investments so that the amount available to prepay LIBOR Borrowings on the last day of the applicable Interest Period, and 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 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. The Borrower hereby grants to the Agent, for its benefit and the benefit of the Issuing Bank and the Lenders, a security interest in the Cash Collateral Account to secure all amounts due under this Agreement.

Section 2.14. Payments. (a) The Borrower shall make each payment (including principal of or interest on any Borrowing or reimbursement of any L/C Disbursement or any Fees or other amounts) hereunder and under any Facility Document not later than 1:00 p.m., local time at the place of



payment, on the date when due in immediately available funds, without setoff, defense or counterclaim. Each such payment (other than Issuing Bank Fees, which shall be paid directly to the Issuing Bank) shall be made to the Agent at its offices at 270 Park Avenue, New York, New York (or in the case of Swiss Franc Loans, at its offices at Trinity Tower, 9 Thomas More Street, London England, E19YT) or to such other address as the Agent may designate to the Borrower in writing. Each such payment (other than principal of and interest on Swiss Franc Loans and L/C Disbursements denominated in Swiss francs, which shall be made in the Swiss francs) shall be made in dollars. The 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 Borrower with the Agent or such Lender, as the case may be, and any Lender so doing shall promptly notify the Agent; such Lender or (if the Agent effects such debit) the Agent shall promptly after effecting such debit give notice thereof to the Borrower as well, provided however that a failure to give such notice to the Borrower shall not affect the validity of such debit or place such Lender or the Agent under any liability to the Borrower. The Borrower shall, at the time of making each payment under this Agreement or the Notes, specify to the Agent the principal or other amount payable by the 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 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. The Borrower shall use the proceeds of the Loans 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. The proceeds of the initial Borrowing shall be applied to pay in full all amounts (including principal, interest and fees) owing on the Closing Date by the Borrower under the Prior Credit Agreement, and also to make payments on certain other credit facilities referred to on Schedule III hereto.

### ARTICLE 3. LETTERS OF CREDIT

Section 3.01. Letters of Credit. Subject to the terms and conditions of this Agreement, the Issuing Bank shall issue one or more standby or documentary letters of credit (each a "Letter of Credit") denominated in dollars or Swiss francs, for the account of the Borrower, in form acceptable to the Issuing Bank, 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.

This Article shall not be construed to impose an obligation upon the Issuing Bank to issue any Letter of Credit that is inconsistent with the terms and conditions of this Agreement.

Section 3.02. 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 Borrower shall hand deliver or telecopy to the Issuing Bank and the 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 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 3.03), the amount of such Letter of Credit, the currency in which such Letter of Credit is to be denominated (which shall be dollars or, subject to Section 4.03, Swiss francs), the name and address of the beneficiary thereof and such other information as shall be necessary to prepare such Letter of Credit.

Section 3.03. 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 documentary 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 Maturity Date.

Section 3.04. Participations. By the issuance of each Letter of Credit 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 Agent, for the account of the Issuing Bank, such Lender's Pro Rata Percentage of each L/C Disbursement made by the Issuing Bank and not reimbursed by the Borrower forthwith on the date due as provided in Section 2.02(e) in the same currency as such L/C Disbursement (except as otherwise provided in Section 2.02(e)). 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 the occurrence and continuance of a Default or an Event of Default, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. The 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 Agent or the Issuing Bank hereunder.

Section 3.05. Reimbursement. If the Issuing Bank shall make any L/C Disbursement in respect of a Letter of Credit, the Borrower shall pay to the Agent an amount equal to such L/C Disbursement, in the same currency as such L/C Disbursement, (if the Borrower is notified of such L/C Disbursement prior to 3:00 p.m. New York City time on the date such L/C Disbursement is made) on the date such L/C Disbursement is made or (otherwise) on the Business Day immediately following the date on which such L/C Disbursement is made.

Section 3.06. Obligations Absolute. The Borrower's obligation to reimburse L/C Disbursements as provided in Section 3.05 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 the Borrower, any other party guaranteeing, or otherwise obligated with, the 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 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 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 the Borrower's obligations hereunder.

Without limiting the generality of the foregoing, it is expressly understood and agreed that the absolute and unconditional obligation of the 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 the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the 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 3.07. 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 Agent and the 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 the Borrower of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such L/C Disbursement. The Agent shall promptly give each Lender notice thereof.

Section 3.08. Interim Interest. If the Issuing Bank shall make any L/C Disbursement in respect of a Letter of Credit, then, unless the Borrower shall reimburse such L/C Disbursement in full on such date, the unpaid amount thereof shall bear interest for the account of the Issuing Bank, for each day from and including the date of such L/C Disbursement, to but excluding the earlier of the date of payment by the Borrower or the date on which interest shall commence to accrue thereon as provided in Section 2.02(e), at the rate per annum that would apply to such amount if such amount were an ABR Loan; provided, however, that if such amount is denominated in Swiss francs, then the interest rate applicable thereto shall be the rate determined by the Agent (which determination shall be conclusive absent manifest error) to represent the cost to it of obtaining funds in Swiss francs plus the Margin as to a Swiss Franc Loan.

Section 3.09. Letter of Credit Fees. The Borrower agrees to pay (i) to each Lender, through the 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 .9375% per annum in respect of standby Letters of Credit and .1875% per annum in respect of documentary Letters of Credit, and (ii) to the Issuing Bank with respect to each Letter of Credit, a facing fee at a rate equal to .0625% per annum in respect of each Letter of Credit (payable at the same times that the L/C Participation Fee is payable) plus 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 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 Agent, the Lenders and the Borrower. The Borrower 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 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, the Borrower shall pay all accrued and unpaid Issuing Bank Fees. 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 Borrower and the 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 Agent in Article 11.

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

#### ARTICLE 4. YIELD PROTECTION; ILLEGALITY; ETC.

Section 4.01. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a LIBOR Borrowing:

(a) the 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 Interest Period; or

(b) the 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; or

(c) in the case of a Swiss Franc Borrowing, the Agent determines (which determination, if made on a reasonable and nondiscriminatory basis, shall be conclusive absent manifest error) that deposits in Swiss francs are not generally available, or cannot be obtained by the Lenders, in the London interbank market;

then the Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Agent notifies the Borrower 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 shall be ineffective, and any LIBOR Borrowing so requested to be continued shall be repaid on the last day of the then current Interest Period with respect thereto or (at the option of the Borrower, in the case of a LIBOR Borrowing in dollars) shall be converted to an ABR Borrowing denominated in dollars 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 (other than a Swiss Franc Borrowing), such Borrowing shall be

made as an ABR Borrowing and (iii) any request by any Borrower for a Swiss Franc Borrowing shall be ineffective.

Section 4.02. 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 LIBOR 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 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 4.05.

(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 such law, rule, regulation, agreement or guideline (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 pursuant hereto or the Letters of Credit issued by the Swingline Bank or 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 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 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 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 its receipt 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 Borrower, then the obligation of the 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 4.03. Change in Legality. (a) Notwithstanding any other provision of this Agreement, if, after the date hereof, (i) 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 or Swiss Franc Loan or to give effect to its obligations as contemplated hereby with respect to any LIBOR Loan or Swiss Franc Loan or participation in Letters of Credit denominated in Swiss francs, or shall make it unlawful for the Issuing Bank to issue Letters of Credit denominated in Swiss francs, or (ii) there shall have occurred any imposition of or any change in exchange controls which would, in the judgment of any Lender made on a reasonable and nondiscriminatory basis, make it impracticable for such Lender to make Loans denominated in Swiss francs or to participate or issue Letters of Credit to or for the account of, the Borrower, denominated in Swiss francs, then, by written notice to the Borrower and to the Agent:

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

however, that upon any such declaration by such Lender as to a Swiss Franc Loan, the Borrower may repay the Swiss Franc Loan(s) of such Lender on the last day of the then current Interest Period with respect thereto (or such earlier date on which any relevant notice pursuant to paragraph (b) below becomes effective), in lieu of converting such Swiss Franc Loan into an ABR Loan;

(y) such Lender may require that all outstanding LIBOR Loans or Swiss Franc Loans, as the case may be, made by it be converted to ABR Loans or Loans denominated in dollars, as the case may be, in which event all such LIBOR Loans or Swiss Franc Loans, as the case may be, shall be automatically converted to ABR Loans or Loans denominated in dollars, as the case may be, as of the effective date of such notice as provided in paragraph (b) below and at the Exchange Rate at the date of such conversion; provided, however, that as to any Swiss Franc Loan of such Lender so required to be converted, the Borrower may repay the same on the last day of the then current Interest Period with respect thereto (or such earlier date on which any relevant notice pursuant to paragraph (b) below becomes effective), in lieu of converting such Swiss Franc Loan into an ABR Loan; and

(z) in the case of any such change affecting the Issuing Bank's ability to issue or any Lender's ability to acquire participations in, Letters of Credit denominated in Swiss francs, the Issuing Bank or such Lender may declare that Letters of Credit will not thereafter be issued in Swiss francs.

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 or Swiss Franc Loans, as the case may be, that would have been made by such Lender or the converted LIBOR Loans or Swiss Franc Loans, as the case may be, of such Lender shall instead be applied to repay the ABR Loans or Loans denominated in dollars, as the case may be, made by such Lender in lieu of, or resulting from the conversion of, such LIBOR Loans or Loans denominated in dollars, as the case may be.

(b) For purposes of this Section, a notice to the Borrower 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 Borrower.

(c) If one or more of the Swiss Franc Loans of any Lender is repaid by the Borrower pursuant to the proviso in clause (x) or (y) above, and the making of such repayments results in such Lender having less than its Pro Rata Percentage of all outstanding Syndicated Loans, such Lender shall promptly purchase from the other Lenders, and the other Lenders shall promptly sell to such Lender, participations in the Syndicated Loans denominated in dollars of such other Lenders, to the end that the amounts of the Syndicated Loans shall be held by Lenders as nearly as possible in accordance with their respective Pro Rata Percentages.

Section 4.04. Indemnity. The 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 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 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 4.05. Taxes. (a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that, if the Borrower shall be required 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 Agent, Lender, Swingline Bank or 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 Borrower shall make such deductions, and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

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

(c) The Borrower shall indemnify the 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 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 the 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 Borrower by a Lender or the Swingline Bank or the Issuing Bank, or by the 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 the Borrower to the demanding party of the amount demanded pursuant to paragraph (c) of this Section, the 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 the Borrower to the demanding party) the demanding party shall at the sole expense of the Borrower cooperate with the Borrower as the 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 the Borrower to a Governmental Authority, the Borrower shall deliver to the Agent written evidence thereof reasonably satisfactory to the Agent.

(f) If the Borrower and a Lender (or, in the case of a payment to the Agent, the Agent) (each, a "Payee") agree that an Indemnified Tax paid by the Borrower under Section 4.05 (a) or (c) with respect to payments by the Borrower to such Payee should more likely than not be refunded by the relevant Governmental Authority under applicable law, such Payee shall, at the expense of the Borrower, cooperate with the Borrower as the Borrower may reasonably request in order to seek a refund of such Indemnified Tax, including the execution by the Payee of such documents acceptable to the Payee as the Borrower may reasonably request, provided that the Payee may do so without material risk of liability, and provided further that no Payee shall be required to disclose its tax returns or other information it deems confidential. If any Payee receives a refund of any Indemnified Tax paid by the Borrower under Section 4.05 (a) or (c) (including a refund received pursuant to the preceding sentence) the amount of such refund received (together with any interest received from the Governmental Authority thereon) shall be paid to the Borrower.

Section 4.06. Duty to Mitigate. If (i) any Lender or the Swingline Bank or the Issuing Bank shall request compensation under Section 4.02, (ii) any Lender or the Swingline Bank or the Issuing Bank delivers a notice described in Section 4.03 or (iii) the 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 4.05, 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 Borrower 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 4.02 or enable it to withdraw its notice pursuant to Section 4.03 or would reduce amounts payable pursuant to Section 4.05, as the case may be, in the future. The Borrower hereby agrees to pay all reasonable 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 4.07. Replacement of Lenders. If any Lender or the Swingline Bank or the Issuing Bank requests compensation under Section 4.02, or if any Lender or the Swingline Bank or the Issuing Bank delivers a notice described in Section 4.03, or if the 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 4.05, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower 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 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 12.05, 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 Borrower shall have received the prior written consent of the 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 4.02, 4.03 and 4.05) payable to it hereunder from the assignee or the Borrower, and (if the Issuing Bank is to be the assignor) the Issuing Bank shall have received from the Borrower 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 Borrower in respect of such Letters of Credit; and (iii) in the case of any such assignment resulting from a claim for compensation under Section 4.02 or payments required to be made pursuant to Section 4.03 or 4.05, 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 Borrower 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.

#### ARTICLE 5. CONDITIONS PRECEDENT.

Section 5.01. Documentary Conditions Precedent. The execution and delivery of this Agreement by the Lenders, the Agent, the Swingline Bank and the Issuing Bank are subject to the condition precedent that the Agent shall have received on or before the Closing Date each of the following, in form and substance satisfactory to the Agent and its counsel:

- (a) the Syndicated Notes and the Swingline Note, duly executed by the Borrower;
- (b) the Authorization Letter, duly executed by the Borrower;
- (c) the SwissAm Guarantee, duly executed by SwissAm;

(d) a certificate of the Secretary or Assistant Secretary of the Borrower, dated the Closing Date, attesting to (i) all corporate action taken by the Borrower, 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, and (ii) a true and complete copy of its certificate of incorporation and by-laws;

(e) a certificate of the Secretary or Assistant Secretary of the Borrower, dated the Closing Date, certifying the names and true signatures of the officers of the Borrower authorized to sign the Facility Documents to which it is a party and the other documents to be delivered by the Borrower under this Agreement;

(f) a certificate of a duly authorized officer of the Borrower, 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 Event of Default;

(g) a certificate of the Secretary or Assistant Secretary of SwissAm, dated the Closing Date, attesting to (i) all corporate action taken by SwissAm, including resolutions of its Board of Directors authorizing the execution, delivery and performance of the SwissAm Guarantee, and (ii) a true and complete copy of its certificate of incorporation and by-laws;

(h) a certificate of the Secretary or Assistant Secretary of SwissAm, dated the Closing Date, certifying the names and true signatures of the officers of SwissAm authorized to sign the SwissAm Guarantee;

(i) a favorable opinion of counsel for the Borrower and SwissAm, dated the Closing Date, in substantially the form of Exhibit C and as to such other matters as the Agent, any Lender, the Swingline Bank or the Issuing Bank may reasonably request; and

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

Section 5.02. 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 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 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 on and as of the date of such Syndicated Loans or such Swingline Loan or such Letter of Credit (as the case may be) as though made on and as of such date, except (i) for any change since the date hereof with respect to Section 6.09 or Section 6.10 provided that (x) the Borrower shall have given specific notice of such change to the Lenders and the Agent in writing and (y) such change does not constitute a Default or Event of Default; and (ii) that any representation and warranty contained in Section 6.05 that specifically relates to January 31, 1997 or April 30, 1997 shall be true and correct as of January 31, 1997 or April 30, 1997 (as the case may be)

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

Section 5.03. Deemed Representations. Each Borrowing Request and each acceptance by the Borrower of the proceeds of such borrowing, and each request by the Borrower for the issuance of a Letter of Credit and each issuance of a Letter of Credit, shall constitute a representation and warranty by the Borrower that the statements contained in Section 5.02 are true and correct both on the date of such Borrowing Request or request for a Letter of Credit and, unless the Borrower otherwise notifies the Agent prior to such Borrowing or issuance, as of the date of such Borrowing or issuance.

#### ARTICLE 6. REPRESENTATIONS AND WARRANTIES.

The Borrower hereby represents and warrants that:

Section 6.01. Incorporation, Good Standing and Due Qualification. Each of the Borrower and its Subsidiaries is duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation, 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 Borrower and its Subsidiaries taken as a whole.

Section 6.02. Corporate Power and Authority; No Conflicts. The execution, delivery and performance by each of the Borrower and each Guarantor of the Facility Documents to which it is a party have been duly authorized by all necessary corporate action and do not and will not: (a) require any consent or approval of its stockholders; (b) contravene its charter or by-laws; (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 Borrower or any Subsidiaries or Affiliates of the Borrower; (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 the Borrower or such 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 the Borrower or such Guarantor; or (f) cause the Borrower (or any Subsidiary or Affiliate of the Borrower, 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 6.03. Legally Enforceable Agreements. Each Facility Document to which the Borrower or a Guarantor is a party is a legal, valid and binding obligation of the Borrower or such Guarantor (as the case may be) enforceable against the Borrower or such 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 6.04. Litigation. There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened, against or affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator, which (if determined adversely to the Borrower or such Subsidiary) would, in any one case or in the aggregate, materially adversely affect the financial condition, operations or business of the Borrower and its Subsidiaries taken as a whole or the ability of the Borrower or any Guarantor to perform its obligations under the Facility Documents to which it is a party.

Section 6.05. Financial Statements. The consolidated and consolidating balance sheet of the Borrower and its Consolidated Subsidiaries as at January 31, 1997, and the related consolidated and consolidating income statement and statements of cash flows and changes in stockholders' equity of the Borrower and its Consolidated Subsidiaries for the fiscal year then ended, and the accompanying footnotes, together with the accompanying opinion of Price Waterhouse LLP, independent certified public accountants, and the interim consolidated and consolidating balance sheet of the Borrower and its Consolidated Subsidiaries as at April 30, 1997, and the related consolidated and consolidating income statement and statements of cash flows and changes in stockholders' equity for the three-month period then ended, copies of which have been furnished to each of the Lenders, are complete and correct in all material respects and fairly present the financial condition of the Borrower and its Consolidated Subsidiaries as at such dates and the results of the operations of the Borrower and its Consolidated Subsidiaries for the periods covered by such statements, all in accordance with GAAP consistently applied (subject to year end adjustments in the case of the interim financial statements and except as otherwise stated therein or in the notes thereto). There are no liabilities of the Borrower or any of its Consolidated Subsidiaries, fixed or contingent, which are material in relation to the consolidated financial condition of the Borrower 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, 1997. No information, exhibit or report furnished by the Borrower to the 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 6.05, 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, 1997, there has been no material adverse change in the condition (financial or otherwise), business or operations of the Borrower and the Consolidated Subsidiaries taken as a whole.

Section 6.06. Ownership and Liens. Each of the Borrower 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 6.05 (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 Borrower and its Subsidiaries taken as a whole), and none of the properties and assets owned by the Borrower 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 6.07. Taxes. Each of the Borrower and its Subsidiaries has filed all tax returns (foreign, federal, state and local) required to be filed and has paid all 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.

Section 6.08. 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 Borrower or any ERISA Affiliate to be incurred with respect to any Plan (other than a Multiemployer Plan) by the Borrower, any Subsidiary or any ERISA Affiliate which is or would be materially adverse to the business, financial condition or operations of the Borrower and its Subsidiaries taken as a whole. Neither the Borrower, 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 Borrower and its Subsidiaries taken as a whole.

(b) Neither the Borrower nor any of its Subsidiaries has breached the fiduciary rules of ERISA or engaged in any prohibited transaction in connection with which the Borrower 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 Borrower 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 Borrower 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 Borrower's most recently ended fiscal year on the basis of reasonable actuarial assumptions, did not exceed the current value of the assets of such Plans allocable to such vested accrued benefits. The terms "present value", "current value", and "accrued benefit" have the meanings specified in Section 3 of ERISA.

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

Section 6.09. Subsidiaries and Ownership of Stock. Schedule II is a complete and accurate list of the Subsidiaries of the Borrower, showing the jurisdiction of incorporation or organization of each Subsidiary and showing the percentage of the Borrower'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 is owned by the Borrower free and clear of all Liens.

Section 6.10. Credit Arrangements. Schedule III is a complete and correct list 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 Borrower 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 \$250,000 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 Borrower 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 Borrower and its Subsidiaries taken as a whole, and neither the Borrower 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 Borrower 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 Borrower and its Consolidated Subsidiaries taken as a whole. The Borrower 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 Borrower and its Consolidated Subsidiaries taken as a whole.

In addition, except as set forth in Schedule IV hereto:

(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 Borrower's knowledge, no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by the Borrower 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 Borrower 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 Borrower or any of its Subsidiaries.

(b) Neither the Borrower 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 Borrower or any of its Subsidiaries to an extent that it has, or is reasonably expected to have, a material adverse effect on the consolidated financial condition, operations or business taken as a whole of the Borrower and its Consolidated Subsidiaries; and

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

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

to the extent that any of the same has, or is reasonably expected to have, a material adverse effect on the consolidated financial condition, operations or business taken as a whole of the Borrower and its Consolidated 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 Borrower or any of its Subsidiaries.

(c) Neither the Borrower 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 Borrower 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 that would be materially adverse to the business, financial condition or operations of the Borrower and its Consolidated Subsidiaries taken as a whole.

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

(e) No oral or written notification of a Release of a Hazardous material has been filed by or on behalf of the Borrower or any of its Subsidiaries and no property now owned or leased by the Borrower 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 Borrower or any of its Subsidiaries, and (to the best of the Borrower'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 Borrower 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 Borrower or any of its Subsidiaries in relation to any property or facility now or previously owned or leased by the Borrower 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 Borrower and its Subsidiaries has satisfied all judgments and neither the Borrower 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 Borrower and its Subsidiaries taken as a whole.

Section 6.14. No Defaults on Other Agreements. Neither the Borrower 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 Borrower or any of its Subsidiaries, or the ability of the Borrower or any Guarantor to carry out its obligations under the Facility Documents to which it is a party. Neither the Borrower 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 the Borrower or any Guarantor to carry out its obligations under the Facility Documents to which it is a party. The Borrower is not in default in any respect under any of the Prudential Notes or under the note agreement pursuant to which they were issued. Neither the Borrower nor any of its Subsidiaries is in default in any material respect under any other agreement or instrument to which the Borrower or such Subsidiary is a party, except where any such defaults in the aggregate would not result in a material adverse affect on the business, financial condition or operations of the Borrower and its Subsidiaries taken as a whole.

Section 6.15. Labor Disputes and Acts of God. Neither the business nor the properties of the Borrower 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 Borrower and its Subsidiaries taken as a whole.

Section 6.16. Governmental Regulation. Neither the Borrower 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. Neither the Borrower 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 the Borrower after giving effect to all the transactions contemplated by the Facility Documents and the funding of all 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 the Borrower and its Subsidiaries as they mature.

(b) The property of the Borrower does not constitute unreasonably small capital for the Borrower to carry out its business as now conducted and as presently proposed to be conducted including the capital needs of the Borrower.

(c) The Borrower does not intend to, nor does it 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 the Borrower, and of amounts to be payable on or in respect of debt of the Borrower). The cash available to the Borrower after taking into account all other anticipated uses of the cash of the Borrower, is anticipated to be sufficient to pay all such amounts on or in respect of debt of the Borrower when such amounts are required to be paid.

(d) The Borrower does not believe that final judgments against it in actions for money damages will be rendered at a time when, or in an amount such that, the 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 the Borrower after taking into account all other anticipated uses of the cash of the Borrower (including the payments on or in respect of debt referred to in paragraph (c) of this Section 6.19), is anticipated to be sufficient to pay all such judgments promptly in accordance with their terms.

#### 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 Borrower shall:

Section 7.01. Maintenance of Existence. Preserve and maintain (except as otherwise permitted by Section 8.07 or Section 8.08 or Section 8.10), and cause each of its Subsidiaries (other than Inactive Subsidiaries) to preserve and maintain (except as otherwise permitted by Section 8.07 or Section 8.08 or Section 8.10), its corporate existence and good standing in the jurisdiction of its incorporation, and qualify and remain qualified, and cause each of its Subsidiaries to qualify and remain qualified, as a foreign corporation in each jurisdiction in which the failure to be so qualified would have a material adverse effect on the business, financial condition or operations of the Borrower and its Subsidiaries taken as a whole.

Section 7.02. 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 Borrower 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 Borrower 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 Borrower 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, rules, regulations and orders, the noncompliance with which would materially adversely affect the business, financial condition or operations of the Borrower and its Subsidiaries taken as a whole; 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 Borrower or any Subsidiary or any of their respective properties; provided however that the Borrower 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 Borrower or such Subsidiary in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP.

Section 7.07. Right of Inspection. At any reasonable time and from time to time, permit the 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 Borrower and any of its Subsidiaries on at least one day's advance notice, and to discuss the affairs, finances and accounts of the Borrower and any such Subsidiary with any of their respective officers and directors and the Borrower's independent accountants.

Section 7.08. 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 Borrower, a consolidated and consolidating balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and a consolidated and consolidating income statement and statements of cash flows and changes in stockholders' equity of the Borrower 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 acceptable to the Agent and each of the Lenders by Price

Waterhouse LLP or other independent accountants of national standing selected by the Borrower and acceptable to the Required Lenders;

(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 Borrower, a consolidated and consolidating balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and a consolidated and consolidating income statement and statements of cash flows and changes in stockholders' equity, of the Borrower 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 Borrower (subject to year-end adjustments);

(c) promptly upon receipt thereof, copies of any reports submitted to the Borrower or any of its Subsidiaries by independent certified public accountants in connection with examination of the financial statements of the Borrower or any such Subsidiary made by such accountants;

(d) simultaneously with the delivery of the financial statements referred to above, a certificate of the chief financial officer of the Borrower (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 compliance with the covenants contained in Article 9 and with the financial covenants contained in the note agreement between the Borrower and The Prudential Insurance Company of America;

(e) simultaneously with the delivery of the annual financial statements referred to in Section 7.08(a), a certificate of the independent public accountants who audited such statements to the effect that, in making the examination necessary for the audit of such statements, they have obtained no knowledge of any condition or event which constitutes a Default or Event of Default, or if such accountants shall have obtained knowledge of any such condition or event, specifying in such certificate each such condition or event of which they have knowledge and the nature and status thereof;

(f) 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 Borrower or any of its Subsidiaries which, if determined adversely to the Borrower or such Subsidiary, would reasonably be expected to have a material adverse effect on the financial condition, business, or operations of the Borrower and its Subsidiaries taken as a whole;

(g) 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 Borrower with respect thereto;

(h) as soon as possible, and in any event within ten days after the Borrower 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 Borrower setting forth details respecting such event or condition and the action, if any, which the Borrower 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 Borrower 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 Borrower 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 Borrower 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 Borrower 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 Borrower 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 Borrower 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 Borrower 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 Borrower 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 Borrower.

(i) 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 Borrower or an ERISA Affiliate;

(j) 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 7.08;

(k) promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports which the Borrower or any of its Subsidiaries sends to its stockholders, and copies of all regular, periodic and special reports, and all registration statements which the Borrower 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;

(l) promptly after the commencement thereof or promptly after the Borrower knows of the commencement or threat thereof, notice of any Forfeiture Proceeding;

(m) simultaneously with the delivery of the annual financial statements referred to in Section 7.08(a), (i) a consolidating balance sheet of the Borrower and its domestic Subsidiaries, and a consolidating balance sheet of the non-domestic Subsidiaries of the Borrower, as of the end of the applicable fiscal year; and (ii) consolidating statements of income of the Borrower and its domestic Subsidiaries for the year then ended, and consolidating statements of income of the non-domestic Subsidiaries of the Borrower for the year then ended; in each case, in a form sufficient to enable the Lenders to determine the amounts owed by and paid by the Borrower and its domestic Subsidiaries to the non-domestic Subsidiaries of the Borrower, and vice versa;

(n) simultaneously with the delivery of the annual financial statements referred to in Section 7.08(a), a letter from the accounting firm that audited such financial statements, addressed to the Agent, the Lenders, the Swingline Bank and the Issuing Bank, acknowledging their reliance on such financial statements, in compliance with N.J.S.A. 2A:53A-25 (which statute need not be expressly referred to in such letter).

(o) such other information respecting the condition or operations, financial or otherwise, of the Borrower or any of its Subsidiaries as the Agent or any Lender may from time to time reasonably request.

Section 7.09. Subsidiary Guarantee. Cause:

(a) each domestic Subsidiary of the Borrower whose assets at any time represent ten percent (10%) or more of the total assets of the Borrower and its Consolidated Subsidiaries, and

(b) each domestic Subsidiary of the Borrower that owns any trademark, tradename, tradedress or patent as a result of a transfer thereof by the Borrower or any of its Subsidiaries to such domestic Subsidiary, and

(c) each other domestic Subsidiary of the Borrower, other than domestic Subsidiaries whose combined assets represent less than fifteen percent (15%) of the total assets of the Borrower and its Consolidated Subsidiaries,

to execute and deliver to the Agent a Guarantee, together with written evidence satisfactory to the Agent that such Guarantee has been duly authorized by all necessary action; the same shall be delivered to the Agent (in multiple duplicate original copies, one for each Lender, the Swingline Bank, the Issuing Bank and the 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 Borrower 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 8.03, effective provision satisfactory in form and substance to the Required Lenders whereby the obligations of the Borrower 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 8.03 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 Borrower shall not:

Section 8.01. 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 the Borrower under this Agreement or the Notes;

(b) The IBM Master Lease and Supplements thereto, the Prudential Senior Notes, the mortgage and machinery lease in favor of Cantonal Bank of Neuchatel, and the equipment leases described in Schedule III, including renewals, extensions or refinancings thereof (and including refinancings by institutions other than those institutions identified on Schedule III), provided that the principal amount thereof does not increase;

(c) Debt of the Borrower subordinated (on terms satisfactory to the Agent and the Required Lenders) to the Borrower's obligations under this Agreement and the Notes;

(d) Debt of the Borrower to any Guarantor or of any Guarantor to the Borrower or any other Guarantor; and Debt of any Subsidiary which is not a Guarantor to any other Subsidiary which is not a Guarantor; (which Debt described in this clause (d) shall be permitted under Section 8.05);

(e) Debt consisting of leases permitted under Section 8.04 or of guaranties permitted under Section 8.02(c);

(f) (i) other Debt of the Borrower or of any domestic Subsidiary of the Borrower, provided that in no event shall the amount thereof outstanding at any time exceed the sum of:

(A)

(i) \$20,000,000 until the first anniversary of the Closing Date, or

(ii) \$22,500,000 at any time from and after the first anniversary of the Closing Date until the second anniversary of the Closing Date, or

(iii) \$25,000,000 from and after the second anniversary of the Closing Date

as to the Borrower and its domestic Subsidiaries in the aggregate, plus (B) up to \$10,000,000 (as to the Borrower and its domestic Subsidiaries in the aggregate) of indebtedness for money borrowed at any time outstanding, having a maturity of not later than one year after the incurrence thereof, owing to one or more of the Lenders independently of this Agreement; and (ii) Debt of any non-domestic Subsidiary of the Borrower, provided that in no event shall the amount thereof outstanding at any time exceed \$5,000,000 as to all non-domestic Subsidiaries in the aggregate; and provided further that (as to all of the Borrower and its domestic and non-domestic Subsidiaries in the aggregate):

(x) the amount of outstanding Debt permitted by this clause (f) consisting of liability in respect of letters of credit (excluding Letters of Credit issued under this Agreement) shall not exceed \$3,000,000 at any time (whether such liability is for outstanding letters of credit that have not yet been drawn upon, or outstanding reimbursement obligations as to letters of credit that have been drawn upon); and

(y) the amount of outstanding Debt permitted by this clause (f) that is secured by a Lien permitted by Section 8.03(h) shall not exceed \$8,000,000 at any time; and

(g) Debt of the Borrower or any domestic Subsidiary of the Borrower not otherwise permitted by this Section, provided that:

(i) 50% of the amount of the gross proceeds of such Debt is (immediately upon the incurrence of such Debt) paid to the Agent for application to the reduction of the outstanding Swingline Loans and (if the outstanding amount of the Swingline Loans is, or is thereby reduced to, zero) the outstanding Syndicated Loans and (if the outstanding amount of the Syndicated Loans is, or is thereby reduced to, zero) for deposit with the Agent in the Cash Collateral Account as security for the Borrower's reimbursement obligation in respect of Letters of Credit; and

(ii) the Total Revolving Credit Commitment is permanently reduced by an amount equal to 50% of the amount of the gross proceeds of such Debt; and

(iii) the Borrower provides to Agent at least 20 days before the incurrence of such Debt, for distribution to the Lenders, a pro-forma consolidated balance sheet and income statement of the Borrower and its Consolidated Subsidiaries after giving effect to the incurrence of such Debt, together with a written certification of the Borrower that the incurrence of such Debt will not result in a Default, either immediately or (based upon the Borrower's reasonable and good faith projections) at any time thereafter.



The Borrower further covenants that any letter of credit in respect of which the Borrower or any of its Subsidiaries become liable as permitted by this Section will be for less than \$1,000,000 (excluding Letters of Credit issued hereunder).

Section 8.02. 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 7.09;

(c) guaranties by the Borrower of ordinary rent obligations incurred by any of its domestic Subsidiaries for the lease of retail stores;

(d) guaranties by the Borrower 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 Borrower in favor of any of its Subsidiaries, and guaranties by any Subsidiary of the Borrower in favor of the Borrower or another Subsidiary of the Borrower, as to obligations owing to the guaranteed party by a Subsidiary of the Borrower or by the Borrower; provided, however, that in no event shall the outstanding guaranty liability permitted by this clause (e) exceed at any time \$15,000,000 as to the Borrower and its Subsidiaries in the aggregate;

(f) letters of credit permitted under Section 8.01 (including Letters of Credit issued hereunder); and

(g) other guaranties, provided however that in no event shall the outstanding guaranty liability permitted by this clause (g) exceed at any time \$1,000,000 as to the Borrower and its Subsidiaries in the aggregate.

Section 8.03. 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) Liens under workmen's compensation, unemployment insurance, social security or similar legislation (other than ERISA);

(d) 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;

(e) 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;

(f) 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 Borrower 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;

(g) Liens securing obligations of such a Subsidiary to the Borrower;

(h) 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 Borrower 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 Borrower or such Subsidiary acquiring the same;

(iii) each such Lien shall attach only to the property so acquired and fixed improvements thereon;

(iv) the obligations secured by such Lien are permitted by the provisions of Section 8.01(f)(y) and the related expenditure is permitted under Section 9.05;

(i) Liens identified on Schedule III, including renewals, extensions or refinancings thereof (and including refinancings by institutions other than those institutions identified on Schedule II), provided that the principal amount secured by such Liens does not increase;

(j) other Liens, provided however that in no event shall the outstanding liabilities secured by Liens permitted by this clause (j) exceed at any time \$1,000,000 as to the Borrower and its Subsidiaries in the aggregate.

Section 8.04. 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 8.01 and 8.03;  
and

(c) other leases (excluding Capital Leases) that are, in the judgment of the board of directors of the Borrower, appropriate for the business objectives of the Borrower and its Subsidiaries, provided however that (x) the Retail Rent Differential shall not exceed \$6,000,000 for any fiscal year of the Borrower after January 31, 1997, and (y) the sum of the Retail Rent Differential for all fiscal years of the Borrower after January 31, 1997 shall not exceed \$18,000,000. The term "Retail Rent Differential" for any fiscal year means the excess of (i) the aggregate amount of rent paid by the Borrower and its Subsidiaries for such year in respect of leases of retail stores (excluding Capital Leases), over (ii) the aggregate amount of rent paid by the Borrower and its Subsidiaries for the fiscal year ending January 31, 1997 in respect of leases of retail stores (excluding Capital Leases). If the lease for any such retail store commenced during the fiscal year ending January 31, 1997, the rent paid thereunder during such fiscal year shall be deemed to be the rent payable thereunder on an annualized basis, instead of the rent actually paid. If the lease for any retail store terminated during the fiscal year ending January 31, 1997, the rent paid thereunder during such fiscal year shall be deemed to be zero, instead of the actual rent paid.

Section 8.05. 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 one year or less from the date of acquisition;

(b) commercial paper of a domestic issuer rated at least "A-1" by Standard & Poor's Corporation or "P-1" by Moody's Investors Service, Inc.;

(c) certificates of deposit with maturities of one year or less from the date of acquisition issued by any commercial bank operating within the United States of America having capital and surplus in excess of \$200,000,000;

(d) for stock, obligations or securities received in settlement of debts (created in the ordinary course of business) owing to the Borrower or any such Subsidiary;

(e) inventory purchased in the ordinary course of business of the Borrower or such Subsidiary;

(f) any Acquisition permitted by Section 8.11;

(g) investments in stocks 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 Borrower 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 Borrower and its Subsidiaries;

(i) loans, advances, and other investments by any foreign Subsidiary of the Borrower to or in any other foreign Subsidiary of the Borrower that is wholly owned by the Borrower;

(j) loans and advances made by the Borrower or a domestic Subsidiary of the Borrower in order to enable the recipient to pay premiums payable in respect of any policy of life insurance issued on the life of Gedalio Grinberg (either individually or together with his spouse), provided that (w) such recipient is the owner of such policy, and (x) subject to the recipient's retention of the incidents of such ownership, such recipient collaterally assigns its rights in the policy to the Borrower or such Subsidiary, on a first-priority basis, as security for the repayment of such loans and advances, and (y) such recipient agrees to apply, and does apply, the proceeds of such policy payable upon the death of the insured(s), to the repayment in full of such loans and advances before such proceeds are applied to any other liability or are otherwise disposed of, and (z) the aggregate amount of such loans and advances made in any fiscal year of the Borrower does not exceed \$1,500,000;

(k) other investments of up to \$10,000,000 in the aggregate as to all of the Borrower and its Subsidiaries;

(l) as permitted under Sections 8.07(c) and 8.07(d); and

(m) Permitted Investments made by the Agent for the account of the Borrower pursuant to Section 2.13(f).

Section 8.06. 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 Borrower, 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 Borrower or another such Subsidiary (except as permitted by Section 8.08(b)), except that the Borrower 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 Borrower for all such dividends and acquisitions does not exceed the sum of (i) \$5,000,000, plus (ii) 50% of the cumulative net

income of the Borrower for its fiscal year ending January 31, 1997 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 Borrower shall have received actual cash representing such gain in such year), less (iii) 100% of the cumulative net loss (if any) of the Borrower for its fiscal year ending January 31, 1997 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 Borrower and to any wholly-owned Subsidiary of the Borrower.

Section 8.07. 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 Borrower or to another Subsidiary that shall have previously executed and delivered a Guarantee pursuant to Section 7.09;

(d) that any foreign Subsidiary of the Borrower may sell, lease, assign, transfer or otherwise dispose of its assets to another foreign Subsidiary of the Borrower that is wholly owned by the Borrower;

(e) as contemplated under Section 8.08(a) or (b); and

(f) for Designated Sales.

In no event shall any disposition of assets by the Borrower or any Subsidiary be for less than fair market value.

Section 8.08. 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 Borrower and (ii) such proceeds represent the fair value of such Subsidiary;

(b) the shares of any foreign Subsidiary of the Borrower may be sold to another foreign Subsidiary of the Borrower that is wholly owned by the Borrower; and

(c) for Designated Sales;

or permit any such Subsidiary to issue any additional shares of its capital stock, except directors' qualifying shares.

Section 8.09. 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 Borrower's or such Subsidiary's business (including without limitation direct and indirect promotional and advertising efforts of the Borrower, 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 8.05) no less favorable to the Borrower or such Subsidiary than would obtain in a comparable arm's length transaction with a Person not an Affiliate.

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 8.07 and clauses (a) and (b) of Section 8.08; and

(c) for Designated Sales.

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; and

(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 Borrower 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 \$10,000,000.

As used herein, the term "Acquisition" means any transaction pursuant to which the Borrower 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 Borrower or any corporation which is not then a Subsidiary of the Borrower, 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 Borrower, or causes any such corporation or other entity to be merged into the Borrower 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 Borrower 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 Activities Leading to Forfeiture. Engage in, or permit any of its Subsidiaries to engage in, the conduct of any business or activity which would reasonably be expected to result in a Forfeiture Proceeding.

Section 8.13. 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 8.14. No Restriction. Agree, or permit any of its Subsidiaries to agree, to any restriction on the right of any Subsidiary to pay to the Borrower any dividends or repayments of loan advances.

Section 8.15. 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.

Section 8.16. Certain Subsidiary Liabilities. Permit any domestic Subsidiary of the Borrower that acquires ownership of any trademark, tradename, tradedress or patent from the Borrower or any other Subsidiary to be liable for total liabilities in excess of \$750,000, excluding liabilities to the Borrower or to any Guarantor and excluding its liability under its Guarantee.

#### 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 9.01. Tangible Net Worth. The Borrower shall at all times from and after the Closing Date maintain a Consolidated Tangible Net Worth of not less than the sum of \$85,000,000 plus the Incremental TNW Amount.

As of any date of determination, the "Incremental TNW Amount" shall be an amount equal to the product of (a) Consolidated Net Income for each fiscal year of the Borrower ended after the Closing Date and on or before such date of determination, if Consolidated Net Income for such fiscal year is a positive number, multiplied by (b) 50%.

The term "Consolidated Net Income" for any fiscal year of the Borrower means the consolidated net income (loss) of the Borrower and its Consolidated Subsidiaries for such fiscal year, determined in accordance with GAAP and after provisions for minority interests, but not including in the computation of the foregoing any of the following:

(i) extraordinary gains and extraordinary losses;

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

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

(iv) any write-up of any asset;

(v) any gain or loss arising from the acquisition of any securities of the Borrower or any Subsidiary;

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

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

Section 9.02. Debt Ratio. The Borrower shall not permit the Debt Ratio to exceed either (a) 50% as of the end of each fiscal year of the Borrower, or (b) 65% at all other times.

The term "Debt Ratio" means, as of any date of determination, the ratio of (x) consolidated indebtedness for borrowed money and Capital Leases of the Borrower and its Consolidated Subsidiaries as of such date, to (y) the sum of Consolidated Tangible Net Worth as of such date plus consolidated indebtedness for borrowed money and Capital Leases of the Borrower and its Consolidated Subsidiaries as of such date.

Section 9.03. Fixed Charge Coverage Ratio. The Borrower shall maintain, as of the last day of each fiscal quarter of the Borrower (the "determination date"), a Fixed Charge Coverage Ratio for the period consisting of such quarter and the three preceding fiscal quarters in excess of:

|   |              |
|---|--------------|
| As to each determination date to and including January 31, 1998:            | 1.15 to 1.0  |
| As to each determination date thereafter to and including January 31, 1999: | 1.20 to 1.0  |
| As to each determination date thereafter:                                   | 1.25 to 1.0. |

The term "Fixed Charge Coverage Ratio" for any period means the ratio of (x) consolidated earnings before interest, taxes, depreciation and amortization, less Consolidated Capital Expenditures, of the Borrower and its Consolidated Subsidiaries for such period, to (b) cash taxes paid, plus cash interest paid, plus scheduled principal payments made, (in each case) during such period by the Borrower and its Consolidated Subsidiaries on a consolidated basis; provided, however, that if such a principal payment is scheduled to be made on a non-Business Day and is instead actually made on the next succeeding Business Day, and if a determination date occurs on such non-Business Day or on any subsequent non-Business Day prior to such next succeeding Business Day, then such principal payment will be deemed to have been made on such determination date. Without limiting the generality of the immediately preceding proviso, the annual principal payment on the Prudential Notes



scheduled to be made on January 31, 1998 (which is a Sunday and a determination date) will, if such payment is made on February 1, 1998, be deemed to have been made on January 31, 1998.

Section 9.04. Leverage Ratio. The Borrower shall not permit the Leverage Ratio to exceed either (a) 1.40 to 1.0 as of the end of each fiscal year or (b) 1.75 to 1.0 at any other time.

The term "Leverage Ratio" means as of any date of determination the ratio of (a) consolidated total liabilities (excluding deferred tax liabilities) of the Borrower and its Consolidated Subsidiaries as of such date, to (b) Consolidated Tangible Net Worth as of such date.

Section 9.05. Capital Expenditures. The Borrower shall not permit Consolidated Capital Expenditures to exceed \$10,000,000 during any fiscal year (on a noncumulative basis); nor shall the Borrower permit Consolidated Capital Expenditures to exceed \$30,000,000 during the period from the Closing Date until the Maturity Date.

#### ARTICLE 10. EVENTS OF DEFAULT.

Section 10.01. Events of Default. Any of the following events shall be an "Event of Default":

(a) the Borrower shall: (i) fail to pay the principal of any Note as and when due and payable; or (ii) fail to pay interest on any Note or any fee or other amount due 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 the 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) the Borrower shall: (i) fail to perform or observe any term, covenant or agreement 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 10.01) 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 Borrower 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 Borrower 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 \$1,000,000 or more; or any such indebtedness whose principal amount is \$1,000,000 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 Borrower 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 8.03 (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 \$1,000,000 in the aggregate shall be rendered against the Borrower 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 Borrower is under an obligation to furnish a report to the Lenders in accordance with Section 7.08(h) hereof and as a result of such event or condition, together with all other such events or conditions, the Borrower 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 Borrower 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 Borrower owned by the Grinberg Group represents less than 25% of the voting power of (x) all outstanding capital stock of the Borrower and (y) all outstanding securities and rights that are then convertible into or exchangeable for capital stock of the Borrower or upon the exercise of which capital stock of the Borrower 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 Borrower or any of its Subsidiaries having a value in excess of \$1,000,000, other than by an eminent domain proceeding where the Borrower or such Subsidiary receives reasonable compensation therefor; or

(k) any 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 thereunder, or such Guarantor shall deny it has any further liability or obligation thereunder or shall fail to perform its obligations thereunder.

Section 10.02. Remedies. If any Event of Default shall occur and be continuing, the Agent may or, upon request of the Required Lenders, shall by notice to the Borrower, 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 the Borrower (provided that, in the case of an Event of Default referred to in Section 10.01(e) as to the 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 Borrower); and (c) direct the Borrower immediately to pay (and the Borrower agrees that upon receipt of such a notice, or upon the occurrence of an Event of Default referred to in Section 10.01(e) as to the Borrower, the Borrower will immediately pay) to the Agent such additional amount of cash as is equal to the L/C Exposure, to be held by the Agent in the Cash Collateral Account as security for the Borrower's reimbursement obligation in respect of Letters of Credit.

#### ARTICLE 11. THE AGENT; RELATIONS AMONG LENDERS AND BORROWER.

Section 11.01. Appointment, Powers and Immunities of 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 11.09) appoints and authorizes the Agent to act as its agent hereunder and under any other Facility Document with such powers as are specifically delegated to the Agent by the terms of this Agreement and any other Facility Document, together with such other powers as are reasonably incidental thereto. The 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 Agent shall not be responsible to the Lenders for any recitals, statements, representations or warranties made by the Borrower or any officer or official of the 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 the Borrower to perform any of its obligations hereunder or thereunder. The 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 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. The Borrower shall pay any fee agreed to by the Borrower and the Agent with respect to the Agent's services hereunder.

Section 11.02. Reliance by Agent. The 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 Agent. The 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 Agent in accordance with Section 12.05, but the 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 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 11.03. Defaults. The 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 Agent for the account of the Lenders) unless the Agent has received notice from a Lender or the Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default." In the event that the Agent receives such a notice of the occurrence of a Default or Event of Default, the Agent shall give prompt notice thereof to the Lenders (and shall give each Lender prompt notice of each such non-payment). The Agent shall (subject to Section 11.08) 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 Agent shall have received such directions, the 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 Agent shall not be required to take any such action which it determines to be contrary to law.

Section 11.04. Rights of Agent as a Lender. With respect to its Revolving Credit Commitment and the Loans made by it and the Letters of Credit, the 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 Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include the Agent in its capacity as a Lender. The 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 Borrower (and any of its Affiliates) as if it were not acting as the Agent, and the Agent may accept fees and other consideration from the Borrower for services in connection with this Agreement or otherwise without having to account for the same to the Lenders. Although the Agent and its Affiliates may in the course of such relationships and relationships with other Persons acquire information about the Borrower, its Affiliates and such other Persons, the Agent shall have no duty to disclose such information to the Lenders.

Section 11.05. Indemnification of Agent. The Lenders agree to indemnify the Agent (to the extent not reimbursed under Section 12.03 or under the applicable provisions of any other Facility Document, but without limiting the obligations of the Borrower under Section 12.03 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 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 the Borrower is obligated to pay under Section 12.03 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 11.06. Documents. The Agent will forward to each Lender, promptly after the 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 Agent for such Lender.

Section 11.07. Non-Reliance on Agent and Other Lenders. Each Lender agrees that it has, independently and without reliance on the Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Borrower and its Subsidiaries and decision to enter into this Agreement and that it will, independently and without reliance upon the 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 Agent shall not be required to keep itself informed as to the performance or observance by the 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 Borrower or any Subsidiary. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Agent hereunder, the 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 Borrower or any Subsidiary (or any of their Affiliates) which may come into the possession of the Agent or any of its Affiliates. The 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 11.08. Failure of Agent to Act. Except for action expressly required of the Agent hereunder, the 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 11.05 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 11.09. Resignation or Removal of Agent. Subject to the appointment and acceptance of a successor Agent as provided below, the Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, and the Agent may be removed at any time for cause by Lenders having Syndicated Loans outstanding, L/C Exposure and unused Revolving Credit Commitments representing at least 66% of the sum of all Syndicated Loans outstanding, L/C Exposure and unused Revolving Credit Commitments; provided that the Borrower and the other Lenders shall be promptly notified thereof. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Agent, subject (unless an Event of Default exists) to the approval of the Borrower, which approval shall not be unreasonably withheld. If no successor Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, subject (unless an Event of Default exists) to the approval of the Borrower, which approval shall not

be unreasonably withheld, which shall be a bank which has an office in New York, New York. The Required Lenders or the retiring Agent, as the case may be, shall upon the appointment of a successor Agent promptly so notify the Borrower and the other Lenders. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation or removal hereunder as 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 Agent.

Section 11.10. Amendments Concerning Agency Function. The 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 Agent. The Agent shall not have any liabilities or responsibilities to the 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 Borrower to perform its obligations hereunder or under any other Facility Document.

Section 11.12. Transfer of Agency Function. Without the consent of the Borrower or any Lender, the Agent may at any time or from time to time transfer its functions as Agent hereunder to any of its offices wherever located, provided that the Agent shall promptly notify the Borrower and the Lenders thereof.

Section 11.13. Non-Receipt of Funds by the Agent. Unless the Agent shall have been notified by a Lender or the Borrower (either one as appropriate being the "Payor") prior to the date on which such Lender is to make payment hereunder to the Agent of the proceeds of a Loan or the Borrower is to make payment to the 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 Agent, the 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 Agent, the recipient of such payment (and, if such recipient is the Borrower and the Payor Lender fails to pay the amount thereof to the Agent forthwith upon demand, the Borrower) shall, on demand, repay to the 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 Agent until the date the Agent recovers such amount at a rate per annum equal to (i) in the case of the 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 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 Agent pursuant to the immediately preceding sentence and the Borrower shall have repaid such amount to the Agent pursuant to such sentence, the Agent shall promptly return to the Borrower any amount (including interest) paid by the Borrower to the Agent pursuant to such sentence.

Section 11.14. Withholding Taxes. Each Lender represents to the Agent and the Borrower that it is entitled to receive any payments to be made to it hereunder without the withholding of

any tax and will furnish to the Agent such forms, certifications, statements and other documents as the Agent may 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 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 the 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 Agent Form 4224 or Form 1001 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 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 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 2.01 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 of the Lenders, and each payment of Commitment Fees accruing under Section 2.07 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 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 3.09 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 Borrower 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. The 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 the Borrower.

Section 11.18. Co-Agent. The Co-Agent shall have only such powers and duties as may be hereafter delegated to it by the Agent (with the written approval of the Borrower and the Lenders) and accepted by the Co-Agent. With respect to each function undertaken by it pursuant to any power or duty so delegated, the Co-Agent shall enjoy all the benefits and protections conferred on the Agent in this Article 11 and elsewhere in this Agreement (including, without limitation, all immunities, indemnifications, rights and other protective provisions) with the same effect as if the Co-Agent were included in the definition of "Agent". The Co-Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, and the Co-Agent may be removed at any time with or without cause by the Required Lenders. The Co-Agent shall not be entitled to any agency fee for serving as Co-Agent hereunder, except as may be hereafter agreed to in a separate written agreement between the Borrower and the Co-Agent (and no such agreement shall reduce the amount of the agency fee payable to the Agent or require the Agent to share such fee with the Co-Agent).



Section 12.01. Amendments and Waivers. 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 Borrower, the Agent and the Required Lenders, or by the Borrower and the 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 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 Agent acting with the consent of all of the Lenders: (a) increase or extend the term, or extend the time or waive any requirement for the reduction or termination, of the Revolving Credit Commitments, (b) extend the date fixed for the payment of principal of or interest on any Loan or any fees payable hereunder, (c) reduce the amount of any payment of principal thereof or the rate at which interest is payable thereon or any fee payable hereunder, (d) alter the terms of this Section 12.01, (e) amend the definition of the term "Required Lenders", (f) waive the condition precedent set forth in Section 5.02(a)(ii), (g) release collateral in any material amount, (h) release guarantees in any material amount, (i) permit any Liens not permitted by Section 8.03, (j) change the several nature of the obligations of the Lenders under this Agreement, (k) increase the \$10,000,000 maximum aggregate limitation on Swingline Loans, or the \$15,000,000 maximum aggregate limitation on the L/C Exposure, or the maximum aggregate limitation on Swiss Franc Loans of the Swiss Franc Equivalent of \$30,000,000, (l) add any further non-United States currency (beyond Swiss francs) as a currency on which Loans may be made under this Agreement, or (m) add any further Person (beyond the Borrower) as a Person that may borrow from the Lenders under this Agreement; and provided, further, that any amendment of Article 11 hereof or any amendment which increases the obligations of the Agent hereunder shall require the consent of the Agent; and provided further that any amendment which increases the obligations of the Swingline Bank hereunder shall require the consent of the Swingline Bank; and provided further that any amendment which increases the obligations of the Issuing Bank hereunder shall require the consent of the Issuing Bank. No failure on the part of the Agent or any Lender or the Swingline Bank or the Issuing Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof or preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 12.02. Usury. Anything herein to the contrary notwithstanding, the obligations of the 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 12.03. Expenses. The Borrower shall (i) pay all reasonable costs, expenses and charges of the Agent (including reasonable fees and charges of external legal counsel for the Agent) incurred in connection with the preparation of this Agreement and the other Facility Documents, any waiver or consent hereunder or thereunder, and any amendment hereto or thereto, and (ii) reimburse the Agent, the Lenders, the Swingline Bank and the Issuing Bank on demand for all reasonable costs, expenses, and charges (including reasonable fees and charges of external legal counsel for the Agent, any Lender, the Swingline Bank or the Issuing Bank and costs allocated by their respective internal legal departments) incurred by any of them in connection with the performance or enforcement of this Agreement, the other Facility Documents or any Letter of Credit. The Borrower agrees to indemnify the Agent, each Lender, the Swingline Bank and the Issuing Bank and their respective directors, officers, employees and agents from, and hold each of them harmless against, any and all losses, liabilities, claims, damages or expenses incurred by any of them arising out of or by reason of any investigation or litigation or

other proceedings (including any threatened investigation or litigation or other proceedings) relating to any actual or proposed use by the Borrower or any Subsidiary of the proceeds of the Loans or any Letter of Credit, including without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation or litigation or other proceedings (but excluding any such losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified).

Section 12.04. Survival. The obligations of the Borrower under Article 4 and Section 12.03 shall survive the repayment of the Loans and the expiration of the Letters of Credit and the termination of the Revolving Credit Commitments.

Section 12.05. Assignment; Participations. (a) This Agreement shall be binding upon, and shall inure to the benefit of, the Borrower, the Agent, the Co-Agent, the Lenders, the Swingline Bank, the Issuing Bank and their respective successors and assigns, except that the Borrower may not assign or transfer its rights or obligations hereunder.

(b) After first obtaining the approval of the Agent, the Swingline Bank, the Issuing Bank and (provided no Event of Default exists as a result of the commencement of a case with respect to the Borrower under the Federal Bankruptcy Code) the Borrower, which approval will not be unreasonably withheld, each Lender may assign to one or more banks, finance companies, insurance or other financial institutions 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); provided, however, that (i) 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; (ii) unless the Agent and the Borrower otherwise consent, the aggregate 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 Five Million Dollars (\$5,000,000) and shall be an integral multiple of One Million Dollars (\$1,000,000); (iii) the parties to each such assignment shall execute and deliver to the Agent, for its approval and acceptance, an Assignment and Assumption Agreement in substantially the form attached hereto as Exhibit E with such changes therein (if any) as the Agent may approve (the "Assignment and Assumption Agreement"); and (iv) the Agent shall receive from the assignor a processing fee of Five Thousand Dollars (\$5,000). Without restricting the right of the Agent, the Swingline Bank, the Issuing Bank or (provided no Event of Default exists as a result of the commencement of a case with respect to the Borrower under the Federal Bankruptcy Code) the Borrower to reasonably object to any bank, finance company, insurance or other financial institution becoming an assignee of an interest of a Lender hereunder, each proposed assignee must be an existing Lender or a bank, finance company, insurance or other financial institution which (i) has (or, in the case of a bank which is a subsidiary, such bank's parent has) a rating of its senior unsecured debt obligations of not less than Baa-1 by Moody's Investors Services, Inc. or a comparable rating by a rating agency acceptable to the Agent and (ii) has total assets in excess of Ten Billion Dollars (\$10,000,000,000). 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 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 Borrower or any Subsidiary or the performance or observance by the Borrower 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 7.08(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 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 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 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 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 of, such Lender from time to time. The Borrower, the Agent and the Lenders may treat each Person whose name is so recorded as a Lender hereunder for all purposes of this Agreement.

(e) Upon its receipt of an Assignment and Assumption Agreement executed by an assigning Lender and an assignee and consented to by the Borrower (except that no such consent of the Borrower shall be required if an Event of Default exists as a result of the commencement of a case with respect to the Borrower under the Federal Bankruptcy Code), the Swingline Bank and the Issuing Bank, the Agent shall, if such Assignment and Assumption Agreement has been properly completed and is in substantially the form of Exhibit E, (i) accept such Assignment and Assumption Agreement, (ii) record the information contained therein and (iii) give prompt notice thereof to the Borrower and the Lenders. Upon request, the Borrower shall execute and deliver to the Agent an appropriate promissory note 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 note evidencing such Revolving Credit Commitment and Syndicated Loans shall be canceled and returned to the Borrower.

(f) 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) the Borrower, the 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 Note, 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) The Borrower will use reasonable efforts to cooperate with the Agent and Lenders in connection with the assignment of interests under this Agreement or the sale of participations herein.

(h) No Lender shall be permitted to assign or sell all or any portion of its rights and obligations under this Agreement to the Borrower or any Affiliate of the Borrower.

(i) Any Lender that proposes to sell any assignment or participation hereunder may furnish any information concerning the Borrower 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.

(j) In addition to the assignments and participations permitted under the foregoing provisions of this Section, any Lender may (without any need to comply with any of the formal or procedural requirements of this Section) assign and pledge all or any portion of its Revolving Credit Commitment and Loans to (i) any affiliate of such Lender or (ii) any Federal Reserve Bank as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Lender from its obligations hereunder.

Section 12.06. Notices. Unless the party to be notified otherwise notifies the other party in writing as provided in this Section, and except as otherwise provided in this Agreement, notices shall be given to the Agent by telephone, confirmed by telecopy or other writing, and to the Lenders and to the Borrower by ordinary or certified mail or telecopy, addressed to such party at its address on its signature page of this Agreement. Notices shall be effective: (a) if given by mail, 72 hours after deposit in the mails with postage prepaid, addressed as aforesaid; and (b) if given by telecopy, when the telecopy is transmitted as aforesaid, provided that receipt of such telecopy is confirmed; provided however that notices to the Agent and the Lenders and the Swingline Bank and the Issuing Bank under Articles 2 and 3 shall be effective upon receipt.

Section 12.07. Setoff. The 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 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 the Borrower at any of such Lender's offices, in dollars or in any other currency, against any amount payable by the 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 the Borrower), in which case it shall promptly notify the Borrower and the 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 the Borrower. Payments by the Borrower hereunder shall be made without setoff or counterclaim.

Section 12.08. JURISDICTION; IMMUNITIES. (a) THE 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 THE 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. THE 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 THE BORROWER AT ITS ADDRESS SPECIFIED IN SECTION 12.06. THE 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. THE 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. THE BORROWER FURTHER AGREES THAT ANY ACTION OR PROCEEDING BROUGHT AGAINST THE AGENT SHALL BE BROUGHT ONLY IN NEW YORK STATE OR UNITED STATES FEDERAL COURT SITTING IN NEW YORK COUNTY. THE BORROWER WAIVES ANY RIGHT IT MAY HAVE TO JURY TRIAL.

(b) Nothing in this Section 12.08 shall affect the right of the Agent or any Lender to serve legal process in any other manner permitted by law or affect the right of the Agent or any Lender to bring any action or proceeding against the Borrower or its property in the courts of any other jurisdictions.

(c) To the extent that the 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, the Borrower hereby irrevocably waives such immunity in respect of its obligations under this Agreement and the Notes.

Section 12.09. 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. 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.

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. Each Lender (in its capacity as Lender and, as applicable, as Swingline Bank and Issuing Bank) and the 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 Borrower pursuant to this Agreement which is identified by the Borrower as being confidential at the time the same is delivered to the Lenders or the Agent, provided that nothing herein shall limit the disclosure of any such information (i) to the extent required by statute, rule, regulation or judicial process, (ii) to counsel for any of the Lenders or the Agent, (iii) to bank examiners, auditors or accountants, (iv) in connection with any litigation to which any one or more of the Lenders is a party or (v) to any assignee or participant (or prospective assignee or participant) so long as such assignee or participant (or prospective assignee or participant) first executes and delivers to the respective Lender a Confidentiality Agreement in substantially the form of Exhibit F hereto; and provided finally that in no event shall any Lender or the Agent be obligated or required to return any materials furnished by the Borrower.

Section 12.15. Treatment of Certain Information. The 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 the Borrower may be provided to each such subsidiary and Affiliate.

Section 12.16. Judgment Currency. 12.(w) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the first currency could be purchased with such other currency on the Business Day immediately preceding the day on which final judgment is given.

(b) The obligations of the Borrower in respect of any sum due to any party hereto or any holder of the obligations owing hereunder (the "Applicable Creditor") shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which such sum is stated to be due hereunder (the "Agreement Currency"), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, the Borrower agrees, as a separate obligation and notwithstanding any judgment to indemnify the Applicable Creditor against such loss. The obligations of the Borrower contained in this Section shall survive the termination of this Agreement and the payment of all other amounts owing hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

BORROWER:  
MOVADO GROUP, INC.

By: /s/ John J. Rooney

-----  
Name: John J. Rooney  
Title: Corporate Controller

Address for Notices:  
Movado Group, Inc.  
125 Chubb Avenue  
Lyndhurst, NJ 07071  
Attention: Chief Financial Officer

Telecopier No.: 201-460-3768

with a simultaneous copy to:

Movado Group, Inc.  
125 Chubb Avenue  
Lyndhurst, NJ 07071  
Attention: General Counsel  
Telecopier No.: 201-460-4857

AGENT:  
THE CHASE MANHATTAN BANK

By: /s/ Eileen McEvoy Higgins

-----  
Name: Eileen McEvoy Higgins  
Title: Vice President

Address for Notices:

The Chase Manhattan Bank  
New York Agency  
1 Chase Manhattan Plaza  
New York, New York 10081  
Telecopier No.: 212-552-5650

with a simultaneous copy to:

The Chase Manhattan Bank  
East 36 Midland Avenue  
Paramus, New Jersey 07652  
Attention: Ms. Eileen McEvoy Higgins  
Telecopier No.: 201-599-6824



CO-AGENT:  
FLEET BANK, N.A.

By: /s/ Michael J. Merlo

-----  
Name: Michael J. Merlo  
Title: Vice President

Address for Notices:

Fleet Bank, N.A.  
1185 Avenue of the Americas  
New York, New York 10036  
Attention: Mr. Michael Merlo  
Telecopier No.: 212-703-1724

LENDER, SWINGLINE BANK AND  
LETTER OF CREDIT BANK:  
THE CHASE MANHATTAN BANK

By: /s/ Eileen McEvoy Higgins

-----  
Name: Eileen McEvoy Higgins  
Title: Vice President

Lending Office  
The Chase Manhattan Bank  
270 Park Avenue  
New York, New York 10017

Address for Notices:

The Chase Manhattan Bank  
East 36 Midland Avenue  
Paramus, New Jersey 07652  
Attention: Ms. Eileen McEvoy Higgins  
Telecopier No.: 201-599-6824

LENDER:  
FLEET BANK, N.A.

By: /s/ Michael J. Merlo

-----  
Name: Michael J. Merlo  
Title: Vice President

Lending Office and Address for Notices:

Fleet Bank, N.A.  
1185 Avenue of the Americas  
New York, New York 10036  
Attention: Mr. Michael Merlo  
Telecopier No.: 212-703-1724

LENDER:  
MARINE MIDLAND BANK

By: /s/ John S. Wamboldt

-----  
Name: John S. Wamboldt  
Title: Vice President

Lending Office and Address for Notices:

Marine Midland Bank  
534 Broad Hollow Road  
Melville, New York 11747  
Attention: Mr. John Wamboldt  
Telecopier No.: 516-752-4340

LENDER:  
THE BANK OF NEW YORK

By: /s/ Linda Mae Coppa

-----  
Name: Linda Mae Coppa  
Title: Vice President

Lending Office and Address for Notices:

The Bank of New York  
385 Rifle Camp Road  
West Paterson, New Jersey 07424  
Attention: Ms. Linda Mae Coppa  
Telecopier No.: 973-357-7705

## EXHIBIT A-1

[Form of Syndicated Loan Note]

## PROMISSORY NOTE

July 23, 1997

MOVADO GROUP, INC., a New York corporation (the "Borrower"), for value received, hereby promises to pay to the order of THE CHASE MANHATTAN BANK (the "Lender"), at the office of The Chase Manhattan Bank (the "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 Type of 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 shall have been 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 Notes referred to in that certain Amended and Restated Credit Agreement (as amended from time to time, the "Credit Agreement") dated the date hereof among the Borrower, the Lenders signatory thereto (including the Lender), The Chase Manhattan Bank as Agent, as Swingline Bank and as Issuing Bank, and Fleet Bank, N.A., as Co-Agent. This Note evidences the Syndicated Loans made by the Lender 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 laws of the State of New York.

MOVADO GROUP, INC.

By: /s/ John J. Rooney

-----  
Name: John J. Rooney  
Title: Corporate Controller

| Date | Amount<br>of Loan | LIBOR<br>or ABR | Currency | Amount of<br>Payment | Balance<br>Outstanding | Notation<br>By |
|------|-------------------|-----------------|----------|----------------------|------------------------|----------------|
|------|-------------------|-----------------|----------|----------------------|------------------------|----------------|

-2-

## EXHIBIT A-1

[Form of Syndicated Loan Note]

## PROMISSORY NOTE

July 23, 1997

MOVADO GROUP, INC., a New York corporation (the "Borrower"), for value received, hereby promises to pay to the order of FLEET BANK, N.A. (the "Lender"), at the office of The Chase Manhattan Bank (the "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 Type of 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 shall have been 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 Notes referred to in that certain Amended and Restated Credit Agreement (as amended from time to time, the "Credit Agreement") dated the date hereof among the Borrower, the Lenders signatory thereto (including the Lender), The Chase Manhattan Bank as Agent, as Swingline Bank and as Issuing Bank, and Fleet Bank, N.A., as Co-Agent. This Note evidences the Syndicated Loans made by the Lender 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 laws of the State of New York.

MOVADO GROUP, INC.

By: /s/ John J. Rooney

-----  
Name: John J. Rooney  
Title: Corporate Controller



| Date | Amount<br>of Loan | LIBOR<br>or ABR | Currency | Amount of<br>Payment | Balance<br>Outstanding | Notation<br>By |
|------|-------------------|-----------------|----------|----------------------|------------------------|----------------|
|------|-------------------|-----------------|----------|----------------------|------------------------|----------------|

-2-

## EXHIBIT A-1

[Form of Syndicated Loan Note]

## PROMISSORY NOTE

July 23, 1997

MOVADO GROUP, INC., a New York corporation (the "Borrower"), for value received, hereby promises to pay to the order of MARINE MIDLAND BANK (the "Lender"), at the office of The Chase Manhattan Bank (the "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 Type of 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 shall have been 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 Notes referred to in that certain Amended and Restated Credit Agreement (as amended from time to time, the "Credit Agreement") dated the date hereof among the Borrower, the Lenders signatory thereto (including the Lender), The Chase Manhattan Bank as Agent, as Swingline Bank and as Issuing Bank, and Fleet Bank, N.A., as Co-Agent. This Note evidences the Syndicated Loans made by the Lender 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 laws of the State of New York.

MOVADO GROUP, INC.

By: /s/ John J. Rooney

-----  
Name: John J. Rooney  
Title: Corporate Controller

| Date | Amount<br>of Loan | LIBOR<br>or ABR | Currency | Amount of<br>Payment | Balance<br>Outstanding | Notation<br>By |
|------|-------------------|-----------------|----------|----------------------|------------------------|----------------|
|------|-------------------|-----------------|----------|----------------------|------------------------|----------------|

-2-

## EXHIBIT A-1

[Form of Syndicated Loan Note]

## PROMISSORY NOTE

July 23, 1997

MOVADO GROUP, INC., a New York corporation (the "Borrower"), for value received, hereby promises to pay to the order of THE BANK OF NEW YORK (the "Lender"), at the office of The Chase Manhattan Bank (the "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 Type of 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 shall have been 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 Notes referred to in that certain Amended and Restated Credit Agreement (as amended from time to time, the "Credit Agreement") dated the date hereof among the Borrower, the Lenders signatory thereto (including the Lender), The Chase Manhattan Bank as Agent, as Swingline Bank and as Issuing Bank, and Fleet Bank, N.A., as Co-Agent. This Note evidences the Syndicated Loans made by the Lender 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 laws of the State of New York.

MOVADO GROUP, INC.

By: /s/ John J. Rooney

-----  
Name: John J. Rooney  
Title: Corporate Controller

| Date | Amount<br>of Loan | LIBOR<br>or ABR | Currency | Amount of<br>Payment | Balance<br>Outstanding | Notation<br>By |
|------|-------------------|-----------------|----------|----------------------|------------------------|----------------|
|------|-------------------|-----------------|----------|----------------------|------------------------|----------------|

-2-

## EXHIBIT A-2

[Form of Swingline Loan Note]

## PROMISSORY NOTE

\$10,000,000

July 23, 1997

MOVADO GROUP, INC., a New York corporation (the "Borrower"), for value received, hereby promises to pay to the order of THE CHASE MANHATTAN BANK (the "Swingline Bank"), at the office of The Chase Manhattan Bank (the "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, 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 Note referred to in that certain Amended and Restated Credit Agreement (as amended from time to time, the "Credit Agreement") dated the date hereof among the Borrower, the Lenders signatory thereto, The Chase Manhattan Bank as Agent, as Swingline Bank and as Issuing Bank, and Fleet Bank, N.A., as Co-Agent. 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 laws of the State of New York.

MOVADO GROUP, INC.

By: /s/ John J. Rooney

-----  
Name: John J. Rooney  
Title: Corporate Controller

| Date | Amount<br>of Loan | LIBOR<br>or ABR | Currency | Amount of<br>Payment | Balance<br>Outstanding | Notation<br>By |
|------|-------------------|-----------------|----------|----------------------|------------------------|----------------|
|------|-------------------|-----------------|----------|----------------------|------------------------|----------------|

-2-

July 23, 1997

The Chase Manhattan Bank, as  
Agent and as Swingline Bank and  
as Issuing Bank  
New York Agency  
1 Chase Manhattan Plaza  
New York, New York 10081

Re: The Amended and Restated 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., the Lenders signatory  
thereto, The Chase Manhattan Bank, as Agent, and as Swingline Bank and  
as Issuing Bank, and Fleet Bank, N.A., as Co-Agent

Ladies and Gentlemen:

In connection with the captioned Credit Agreement, we 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:

NAME

Howard Regenbogen  
Kenneth Adams  
John Rooney  
Frank Kimick  
William Edelmann

Instructions may be honored on the oral, telephonic or teleprocess  
instructions of anyone purporting to be any one of the above designated persons.  
We 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 through Movado Group,  
Inc. DDA Account #0381130798 at the Agent or Account #505.101.340 of Concord  
Watch Company S.A. at Swiss Bank Corporation of Bienne Switzerland, or such  
other account as may be mutually agreed to by you and us (our 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 us  
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, we agree to hold you  
and your agents harmless from any and all liability, loss and expense arising  
directly or indirectly out of instructions that we provide 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 us, 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 we have agreed to in writing.

We 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: /s/ John J. Rooney

-----

Name: John J. Rooney

Title: Corporate Controller

## EXHIBIT C

Timothy F. Michno, Esq.  
630 Fifth Avenue  
New York, NY 10019

July 23, 1997

To each of the Lenders, the Swingline Bank, the Issuing Bank and the Agent that are parties to the Credit Agreement hereinafter referred to

Ladies and Gentlemen:

I have acted as counsel to Movado Group, Inc., a New York corporation (the "Borrower"), in connection with the that certain Amended and Restated Credit Agreement (the "Credit Agreement") dated as of the date hereof among the Borrower, the Lenders signatory thereto, The Chase Manhattan Bank as Agent, as Swingline Bank and as Issuing Bank, and Fleet Bank, N. A., as Co-Agent. We have also acted as counsel to SwissAm, Inc., a New Jersey corporation, in connection with the SwissAm Guarantee. 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 we 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 are of the opinion that:

1. Each of the Borrower and SwissAm is a corporation duly incorporated, validly existing and in good standing under the laws of the State of New York (in the case of the Borrower) or New Jersey (in the case of SwissAm), 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 Borrower and its Subsidiaries taken as a whole.

2. The execution, delivery and performance by each of the Borrower and SwissAm of the Facility Documents to which it is a party have been duly authorized by all necessary corporate action and do not: (a) require any consent or approval of its stockholders; (b) contravene its charter or by-laws; (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 Borrower or SwissAm; (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 the Borrower or SwissAm 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 the Borrower or SwissAm; or (f) cause the 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.

3. (a) Each Facility Document to which the Borrower is a party is a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

(b) The SwissAm Guarantee is a legal, valid and binding obligation of SwissAm, enforceable against SwissAm in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

4. To the best of our knowledge (after due inquiry), there are no pending or threatened actions, suits or proceedings against or affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator, which may, in any one case or in the aggregate, materially adversely affect the financial condition, operations, properties or business of the Borrower or of any such Subsidiary or the ability of the Borrower or SwissAm to perform its obligations under the Facility Documents.

The opinions expressed herein are for the sole benefit of the Lenders, the Agent, the Swingline Bank, the Issuing Bank and their respective successors and assigns, and may be relied upon by such Persons, but may not be relied upon in any manner by any other Person without our prior written consent. The opinions expressed herein are as of the date hereof, and we make no undertaking to supplement such opinions as facts and circumstances come to our attention or changes in law occur which could affect such opinions.

Very truly yours,

Timothy F. Michno

## EXHIBIT D

## GUARANTEE

REFERENCE IS HEREBY MADE to the Amended and Restated Credit Agreement dated July 23, 1997 (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 "Borrower"), the Lenders signatory thereto, The Chase Manhattan Bank, as Agent, as Swingline Bank and as Issuing Bank, and Fleet Bank, N.A., as Co-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, the Swingline Bank and the Issuing Bank (all of which, together with the Agent, will be called herein the "Creditors") to the Borrower; and

WHEREAS, all the obligations and liabilities (whether now existing or hereafter arising) of the Borrower 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 Guarantor has obtained and expects to obtain substantial economic benefit from the extension of credit by the Creditors to the Borrower under the Credit Agreement; and

WHEREAS, the execution and delivery of this guaranty 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 Borrower under the Facility Documents, the Guarantor hereby agrees with the Creditors as follows:

The Guarantor hereby unconditionally guarantees to the Creditors that the Borrower 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 Borrower 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 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 Borrower or other obligor or to vary the terms of payment; provided, however, that the liability of the Guarantor hereunder with respect to the Obligations shall not exceed at any time 90% of Adjusted Net Worth (as hereinafter defined). The term "Adjusted Net Worth" means the current Net Worth of the Guarantor, plus (as and when Net Worth increases) any increase in such amount of Net Worth after the date hereof (without any decrease for any reduction after the date hereof in current Net Worth as so increased). The term "Net Worth" means the amount of all assets of the Guarantor, at a fair valuation, less the total liabilities of the Guarantor (including contingent liabilities other than the liabilities of the Guarantor under this guaranty).

The Guarantor agrees that, as among the Guarantors, the Creditors, the Obligations may be declared to be due and payable for purposes of this guaranty notwithstanding any stay, injunction or other prohibition which may prevent, delay or vitiate any such declaration as against the

Borrower and that, in the event of any such declaration (or attempted declaration), such Obligations (whether or not due and payable by the Borrower) shall forthwith become due and payable by the Guarantor for purposes of this guaranty. The Guarantor further guarantees that all payments made by the Borrower 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 Borrower, this guaranty shall continue to be fully applicable to such Obligation to the same extent as though the payment so recovered or repaid had never been originally made on such Obligation.

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

4. The Guarantor hereby consents that from time to time, without notice to or further consent of the Guarantor, the payment, performance or observance of any or all of the Obligations may be waived or the time of payment or performance thereof extended or accelerated, 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 Agent 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 Borrower 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 Borrower 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 Borrower (or out of the property of the Borrower) except after payment in full of all sums (including interest, costs and expenses) which may be or become payable by the Borrower to the Creditors at any time or from time to time.

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

6. Any 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.

7. Notice of acceptance of this guaranty and of the incurring of any and all of the Obligations of the Borrower pursuant to the Facility Documents is hereby waived. THIS GUARANTY AND ALL RIGHTS, OBLIGATIONS AND LIABILITIES ARISING HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE LAWS OF THE STATE OF NEW YORK. Unless the context otherwise requires, all terms used herein which are defined in the Uniform Commercial Code shall have the meanings therein stated.

8. 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 setoff 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 guaranty may be modified or waived without the prior written consent of the Agent and the Required 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 Borrower, or in respect of which the Borrower 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 Borrower, if the Agent so requests, shall be collected, enforced and received by the Guarantor as trustee for the Creditors and be paid over to the Agent on account of the Obligations but without reducing or affecting in any manner the liability of such Guarantor, or any other Guarantor, under the other provisions of this guaranty.

11. The Guarantor hereby irrevocably submits to the jurisdiction of any New York State or Federal court sitting in New York City in any action or proceeding arising out of or relating to this guaranty, and the Guarantor hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State or Federal court. The Guarantor irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to the Guarantor at its address specified on the signature page hereof. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this paragraph shall affect the rights of the 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 guaranty. The Guarantor hereby expressly waives any and every right to a trial by jury in any action on or related to this guaranty, the Obligations or the enforcement of either or all of the same, and does further expressly waive any and every right to interpose any counterclaim in any such action or proceeding. The Guarantor agrees to reimburse the Creditors on demand for all reasonable costs, expenses, and charges (including, without limitation, reasonable attorneys' fees) incurred by the Agent or the Lenders in connection with any enforcement of this guaranty.

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 Agent or any Lender in connection with the Facility Documents.

IN WITNESS WHEREOF, the Guarantor has caused this instrument to be duly executed by its proper officer(s) this 23rd day of July, 1997.

WITNESS: SWISSAM, INC.

/s/ John J. Rooney  
-----  
Name: John J. Rooney

By: /s/ David R. Phalen  
-----  
Name: David R. Phalen  
Title: President

Address of Guarantor:  
-----  
-----  
-----

## EXHIBIT E

## ASSIGNMENT AND ASSUMPTION AGREEMENT

Dated as of \_\_\_\_\_, 199\_\_

Reference is made to the Amended and Restated Credit Agreement dated July \_\_, 1997 (which, as the same has been or may have been amended, will be called herein the "Credit Agreement"), among Movado Group, Inc., a New York corporation (the "Borrower"), the Lenders signatory thereto, The Chase Manhattan Bank, as Agent, as Swingline Bank and as Issuing Bank, and Fleet Bank, N.A., as Co-Agent. Terms defined in the Credit Agreement and used herein without definition shall have the respective meanings ascribed to such terms in the Credit Agreement.

[Name of assigning bank] ("Assignor") and [name of assignee] ("Assignee") hereby agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, a \_\_\_\_\_ percent (\_\_\_%) interest in all of the Assignor's rights and obligations under the Credit Agreement as of the Assignment Date (as hereinafter defined), including without limitation (a) the Assignor's Revolving Credit Commitment (including, without limitation, the Assignor's obligation to make Syndicated Loans and to participate in Letters of Credit) and (b) the Assignor's outstanding Syndicated Loans.

2. (a) The Assignor represents to the Assignee that as of the date hereof, before giving effect to the assignment contemplated hereby, its Revolving Credit Commitment is \$\_\_\_\_\_ and the aggregate outstanding principal amount of its Syndicated Loans (including the aggregate outstanding principal amount of its Syndicated Loans denominated in dollars, plus the Dollar Equivalent of its Swiss Franc Loans) equals \$\_\_\_\_\_; and that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim.

(b) Except as expressly provided in subsection (a) of this Section, the Assignor makes no representation or warranty in connection with this Assignment and Assumption Agreement. Without limiting the generality of the immediately preceding sentence: the Assignee makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or any other Facility Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other Facility Document or any other instrument or document furnished pursuant thereto; and the Assignee makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any Subsidiary or the performance or observance by the Borrower or any Subsidiary of any of their respective obligations under any Facility Document or any other instrument or document furnished pursuant to the Credit Agreement.

3. The Assignee represents and warrants that it is legally authorized to enter into this Agreement. The Assignee also acknowledges, agrees and confirms that (a) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements referred to in Sections 7.08(a) and (b) of the Credit Agreement, 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 this Assignment and Assumption Agreement; and (b) it will independently and without reliance upon the 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 Credit Agreement; and (c) it appoints and authorizes the Agent



to take such action as agent on its behalf and to exercise such powers under the Credit Agreement and the other Facility Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (d) it agrees that it will perform in accordance with their terms all the obligations which by the terms of this Credit Agreement are required to be performed by it as a Lender.

4. The effective date for this Assignment and Assumption Agreement shall be \_\_\_\_\_, 199\_\_ (the "Assignment Date"), provided that this agreement shall have been executed and delivered by the Assignor and the Assignee and consented to by the Agent and the Borrower (except that the consent of the Borrower shall not be required if an Event of Default exists as a result of the commencement of a case with respect to the Borrower under the Federal Bankruptcy Code). Following the execution of this Assignment and Assumption Agreement, each such party shall deliver its duly executed counterpart hereof to the Agent for acceptance and recording in the record maintained by the Agent pursuant to Section 12.05(d) of the Credit Agreement.

5. Upon such acceptance and recording, and from and after the Assignment Date, (i) the Assignee shall become a party to the Credit Agreement and a "Lender" for purposes thereof, and to the extent provided in this Assignment and Assumption Agreement, shall have the rights and obligations of a Lender thereunder, and (ii) the Assignor shall, with respect to that portion of its interest under the Credit Agreement assigned hereunder, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording, and from and after the Assignment Date, the Agent shall make all payments in respect of the rights and interests assigned hereby (including payments of principal, interest, fees and other amounts) to the Assignee. Each of the Assignor and the Assignee hereby agree that if it receives any amount under any Facility Document which is for the account of the other of them, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

7. This Assignment and Assumption Agreement shall be governed by and construed in accordance with the laws of the State of New York (without reference to conflict of laws).

8. This Assignment and Assumption Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same Agreement.

IN WITNESS WHEREOF, this Agreement has been executed as of the day first above written.

[Assignor]

By: \_\_\_\_\_  
Name:  
Title:

[Assignee]

By: \_\_\_\_\_  
Name:  
Title:

Consented to:

MOVADO GROUP, INC.

By: \_\_\_\_\_  
Name:  
Title:

THE CHASE MANHATTAN BANK, AS AGENT,  
AS SWINGLINE BANK AND AS ISSUING BANK

By: \_\_\_\_\_  
Name:  
Title:

## EXHIBIT F

## CONFIDENTIALITY AGREEMENT

\_\_\_\_\_, 199\_\_\_\_\_

[Insert Name and  
Address of Prospective  
Participant or Assignee]

Re: Amended and Restated Credit Agreement dated July \_\_\_\_, 1997  
(which, as the same may hereafter be amended, will be called  
herein the "Credit Agreement") among Movado Group, Inc., the  
Lenders signatory thereto, The Chase Manhattan Bank, as Agent,  
as Swingline Bank and as Issuing Bank, and Fleet Bank, N.A.,  
as Co-Agent

Dear \_\_\_\_\_:

As a Lender, party to the Credit Agreement, we have agreed  
with Movado Group, Inc. (the "Borrower") pursuant to Section 12.14 of the Credit  
Agreement to use reasonable precautions to keep confidential, except as  
otherwise provided therein, all non-public information identified by the  
Borrower as being confidential at the time the same is delivered to us pursuant  
to the Credit Agreement.

As provided in said Section 12.14, we are permitted to provide  
you, as a prospective [holder of a participation in the Loans (as defined in the  
Credit Agreement)] [assignee Lender], with certain of such non-public  
information subject to the execution and delivery by you, prior to receiving  
such non-public information, of a Confidentiality Agreement in this form. Such  
information will not be made available to you until your execution and return to  
us of this Confidentiality Agreement.

Accordingly, in consideration of the foregoing, you agree (on  
behalf of yourself and each of your affiliates, directors, officers, employees  
and representatives) that (A) such information will not be used by you except in  
connection with the proposed [participation] [assignment] mentioned above and  
(B) you shall use reasonable precautions, in accordance with your customary  
procedures for handling confidential information and in accordance with safe and  
sound banking practices, to keep such information confidential, provided that  
nothing herein shall limit the disclosure of any such information (i) to the  
extent required by statute, rule, regulation or judicial process, (ii) to your  
counsel or to counsel for any of the Lenders or the Agent, (iii) to bank  
examiners, auditors or accountants, (iv) in connection with any litigation to  
which you or any one or more of the Lenders is a party; and provided that in no  
event shall you be obligated to return any materials furnished to you pursuant  
to this Confidentiality Agreement.

Would you please indicate your agreement to the foregoing by  
signing at the place provided below the enclosed copy of this Confidentiality  
Agreement.

Very truly yours,

[Insert Name of Lender]

By: \_\_\_\_\_

The foregoing is agreed to  
as of the date of this letter.

[Insert name of prospective  
participant or assignee]

By: \_\_\_\_\_

## SCHEDULE I

## Lenders and Their Revolving Credit Commitments

| Name of Lender<br>-----           | Lender's Revolving<br>Credit Commitment<br>----- | Lender's Pro<br>Rata Percentage<br>----- |
|-----------------------------------|--|--|
| The Chase Manhattan Bank          | \$20,250,000                                     | 25.7143%                                 |
| Fleet Bank, N.A                   | \$20,250,000                                     | 25.7143%                                 |
| Marine Midland Bank               | \$20,250,000                                     | 25.7143%                                 |
| The Bank of New York              | \$18,000,000<br>-----                            | 22.8571%<br>-----                        |
| Total Revolving Credit Commitment | \$78,750,000                                     | 100%                                     |

## SCHEDULE II

## Subsidiaries of Movado Group, Inc. (the "Company")

All issued and outstanding shares of each of the following subsidiaries are wholly owned, directly or indirectly, by the Company except for statutorily required nominee shares in the case of the Hong Kong subsidiaries:

## NEW JERSEY:

EWC Marketing Corp. (inactive)  
SwissAm Inc.

## DELAWARE:

Movado International, Ltd. (inactive)

## SWITZERLAND:

Concord Watch Company, S.A.  
Movado Watch Company, S.A.  
N.A. Trading, Ltd.  
Montres Movado Bienne, S.A.  
Grandjean, S.A.

## CANADA:

Movado Group of Canada, Ltd.

## GERMANY:

Movado Deutschland GmbH  
Concord Deutschland GmbH

## SINGAPORE:

Swissam Pte. Ltd.

## HONG KONG:

SwissAm Ltd.  
SwissAm Products Ltd.

## JAPAN:

Concord Movado Japan Co., Ltd.

## SCHEDULE III

MOVADO GROUP, INC.  
BANK CREDIT LINES

|                                     | CREDIT LINE<br>----- | OUTSTANDING<br>1/31/97<br>----- | OUTSTANDING<br>4/30/97<br>----- |
|-------------------------------------|----------------------|---------------------------------|---------------------------------|
| DOMESTIC                            |                      |                                 |                                 |
| Working Capital Lines               |                      |                                 |                                 |
| Chase Manhattan                     | \$12,500,000         | \$ 0                            | \$ 6,350,000                    |
| Fleet                               | 12,500,000           | 0                               | 9,850,000                       |
| Marine Midland                      | 10,000,000           | 0                               | 7,750,000                       |
| Bank of New York                    | 0                    | 0                               | 0                               |
|                                     | -----                | -----                           | -----                           |
|                                     | 35,000,000           | 0                               | 23,950,000                      |
|                                     | -----                | -----                           | -----                           |
| Long Term Revolver                  |                      |                                 |                                 |
| Chase Manhattan Bank (as agent)     | \$20,000,000         | \$ 5,000,000                    | \$ 5,000,000                    |
| Total Domestic Line                 | \$55,000,000         | \$ 5,000,000                    | \$28,950,000                    |
| FOREIGN                             |                      |                                 |                                 |
|                                     | SFR                  | SFR                             | SFR                             |
| Concord S.A                         |                      |                                 |                                 |
| Cantonal Bank                       | 4,000,000            | 6,000,000                       | 4,000,000                       |
| Swiss Bank                          | 8,000,000            | 2,000,000                       | 4,000,000                       |
| Union Bank                          | 4,000,000            | 3,000,000                       | 3,000,000                       |
| Cantonal Bank Gold Acct (Unsecured) | 0                    | 0                               | 0                               |
|                                     | -----                | -----                           | -----                           |
|                                     | 16,000,000           | 11,000,000                      | 11,000,000                      |
| Grandjean S.A                       |                      |                                 |                                 |
|                                     | SFR                  | SFR                             | SFR                             |
| Union Bank                          | 300,000              | 0                               | 0                               |
| Cantonal Bank                       | 1,400,000            | 0                               | 0                               |
| Swiss Bank                          | 100,000              | 0                               | 0                               |
| Cantonal bank-Gold (Unsecured)      | 0                    | 0                               | 0                               |
| Popular                             | 200,000              | 0                               | 0                               |
|                                     | -----                | -----                           | -----                           |
|                                     | 2,000,000            | 0                               | 0                               |
| Total SFR                           | 18,000,000           | 11,000,000                      | 11,000,000                      |
| Spot rate                           | 1.47                 | 1.42                            | 1.47                            |
| Converted to US Dollar              | \$12,215,813         | \$ 7,746,479                    | \$ 7,465,219                    |
|                                     | -----                | -----                           | -----                           |
| Consolidated Total US Dollar        | \$67,215,813         | \$12,746,479                    | \$36,415,219                    |
|                                     | =====                | =====                           | =====                           |

Concurrent with the closing of this Agreement, the Domestic Working Capital Lines will be revised to the following credit limits:

|                  |              |
|------------------|--------------|
| Chase Manhattan  | \$ 0         |
| Fleet            | 3,333,333    |
| Marine Midland   | 3,333,333    |
| Bank of New York | 10,000,000   |
|                  | -----        |
|                  | \$16,666,666 |
|                  | =====        |

SCHEDULE III  
 MOVADO GROUP, INC.  
 SCHEDULE OF CAPITAL LEASES & OTHER LONG TERM OBLIGATIONS  
 BALANCES AS OF JULY 15, 1997

|    | UNITED STATES                                | TOTAL OUTSTANDING<br>BALANCE |
|----|--|------------------------------|
|    | IBM MASTER LEASE                             | 21,406                       |
| 1  | SUPPLEMENT NO. 1                             | 0                            |
| 2  | SUPPLEMENT NO. 2                             | 0                            |
| 3  | SUPPLEMENT NO. 3                             | 0                            |
| 4  | SUPPLEMENT NO. 4                             | 0                            |
| 5  | SUPPLEMENT NO. 5                             | 0                            |
| 6  | SUPPLEMENT NO. 6                             | 2,790                        |
| 7  | SUPPLEMENT NO. 7                             | 692                          |
| 8  | SUPPLEMENT NO. 8                             | 45,686                       |
| 9  | SUPPLEMENT NO. 9                             | 0                            |
| 10 | SUPPLEMENT NO. 10                            | 0                            |
| 11 | SUPPLEMENT NO. 11                            | 498                          |
| 12 | SUPPLEMENT NO. 12                            | 0                            |
| 13 | SUPPLEMENT NO. 13                            | 0                            |
| 14 | SUPPLEMENT NO. 14                            | 1,906                        |
| 15 | SUPPLEMENT NO. 15                            | 89,427                       |
| 16 | SUPPLEMENT NO. 16                            | 1,682                        |
| 17 | SUPPLEMENT NO. 17                            | 1,065                        |
| 18 | SUPPLEMENT NO. 18                            | 526                          |
| 19 | SUPPLEMENT NO. 19                            | 520                          |
| 20 | SUPPLEMENT NO. 20                            | 606                          |
| 21 | SUPPLEMENT NO. 21                            | 618                          |
| 22 | SUPPLEMENT NO. 22                            | 606                          |
| 23 | SUPPLEMENT NO. 23                            | 39,774                       |
| 24 | SUPPLEMENT NO. 24                            | 6,489                        |
| 25 | SUPPLEMENT NO. 25                            | 5,946                        |
| 26 | SUPPLEMENT NO. 26                            | 82,369                       |
| 27 | SUPPLEMENT NO. 27                            | 927                          |
| 28 | SUPPLEMENT NO. 28                            | 14,739                       |
|    |  | -----                        |
|    |  | \$ 318,334                   |
|    |  | =====                        |
|    | PRUDENTIAL SENIOR NOTES                      | \$40,000,000                 |
|    | GRANDJEAN                                    |                              |
|    | Cantonal Bank of Neuchatel - Mortgage        | \$ 352,901                   |
|    | Cantonal Bank of Neuchatel - Machinery lease | \$ 115,372                   |



SCHEDULE III  
MOVADO GROUP, INC.  
OUTSTANDING LETTERS OF CREDIT  
JULY 16, 1997

| Bank   | Face Amount | Holder/Description            | Maturity           |
|--------|-------------|-------------------------------|--------------------|
| Marine | 178,900,000 | Rent Deposit                  | September 29, 1997 |
| Marine | 200,000,000 | Rent Deposit                  | February 21, 1998  |
| Marine | 150,000,000 | Nuclear Regulatory Commission | November 30, 1997  |
| Marine | 23,818,000  | Rent Deposit                  | July 30, 1998      |
| Chase  | 112,530,000 | Canadian payroll              | April 26, 1998     |

## SCHEDULE III

Certain equipment leases of the Borrower provide that the lessor has a security interest in the equipment. These liens are listed on Appendix A to this Schedule III. In addition, S.A. Ancienne Fabrique Georges Paiget et Cie. has security interest in certain trademarks of the Borrower used in connection with the Borrower's distribution of Piaget watches. In addition, the Borrower has a security interest in certain property of SwissAm to secure amounts owing by SwissAm to the Borrower.

## APPENDIX A TO SCHEDULE III

EQUIPMENT LEASE/LIEN REFERRED TO IN THE UCC-1 FINANCING STATEMENT NAMING BORROWER (AS LESSEE) AND IBM CREDIT CORPORATION (AS LESSOR) AND FILED WITH THE SECRETARY OF STATE OF NEW JERSEY ON MAY 9, 1997 AS INSTRUMENT NO. 1766303.

CONSIGNMENT FILINGS MADE NAMING THE BORROWER (AS DEBTOR) AND PIAGET (INTERNATIONAL) S.A. (AS SECURED PARTY) AS TO CERTAIN IDENTIFIED GOODS CONSIGNED BY PIAGET WITH THE BORROWER (INCLUDING ACCOUNTS AND OTHER INTANGIBLES AND PROCEEDS ARISING OUT OF OR WITH RESPECT TO SUCH CONSIGNED GOODS) FILED WITH (i) THE SECRETARY OF STATE OF NEW JERSEY ON AUGUST 28, 1996 AS INSTRUMENT NO. 1719250, AND (ii) THE SECRETARY OF STATE OF NEW YORK ON AUGUST 28, 1996 AS FILING NUMBER 171813.

## SCHEDULE IV

Tritium, acetone, benzene and isopropylal are stored by Borrower at 125 Chubb Avenue, Lyndhurst, New Jersey in accordance with applicable Environmental Laws.

AMENDMENT TO AMENDED AND  
RESTATED CREDIT AGREEMENT

This AMENDMENT, dated as of the 5th day of August, 1997, among MOVADO GROUP, INC., A New York corporation (the "Borrower"); each of the Lenders which is a signatory hereto; THE CHASE MANHATTAN BANK, as Agent, as Swingline Bank and as Issuing Bank; FLEET BANK, N.A., as Co-Agent; and CREDIT SUISSE FIRST BOSTON (the "New Lender").

Preliminary Statement

A. Reference is made to the Amended and Restated Credit Agreement dated as of July 23, 1997 (the "Credit Agreement") among the Borrower, the Lenders signatory thereto. The Chase Manhattan Bank as Agent, as Swingline Bank and as Issuing Bank, and Fleet Bank, N.A. as Co-Agent. All capitalized terms used herein and not defined shall have the respective meanings ascribed to them in the Credit Agreement.

B. The Borrower has requested that the Total Revolving Credit Commitment be increased from \$78,750,000 to \$90,000,000, and that the New Lender become a party to the Credit Agreement as a "Lender", and that certain other changes be made to the Credit Agreement.

NOW, THEREFORE, for ten dollars and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1. PARTICULAR AMENDMENTS

Section 1.1 Increase. Schedule I to the Credit Agreement is hereby amended, effective as of August 26, 1997, to read as follows:

SCHEDULE I  
Lenders and Their Revolving Credit Commitments

| Name of Lender<br>-----               | Revolving Credit<br>Commitment<br>----- | Lender's Pro-Rata<br>Percentage<br>----- |
|---------------------------------------|---|--|
| The Chase Manhattan Bank              | \$20,250,000                            | 22.5%                                    |
| Fleet Bank, N.A.                      | \$20,250,000                            | 22.5%                                    |
| Marine Midland Bank                   | \$20,250,000                            | 22.5%                                    |
| The Bank of New York                  | \$18,000,000                            | 20.0%                                    |
| Credit Suisse First Boston            | \$11,250,000                            | 12.5%                                    |
|                                       | -----                                   | -----                                    |
| TOTAL REVOLVING CREDIT<br>COMMITMENT- | \$90,000,000                            | 100%                                     |

Section 1.2 New Lender. (a) The parties hereto agree that the New Lender is hereby made a party to the Credit Agreement as a "Lender" thereunder, effective as of August 26, 1997, with all the rights and duties of a Lender thereunder.

(b) Simultaneously herewith, the Borrower shall execute and deliver to the Agent, for the account of the New Lender, a Syndicated Loan Note in favor of the New Lender evidencing Syndicated Loans to be made by the New Lender on and after August 26, 1997 pursuant to the Revolving Credit Commitment of the New Lender.

(c) The New Lender represents and warrants that it is legally authorized to enter into this Agreement. The New Lender also acknowledges, agrees and confirms that (i) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements referred to in Section 7.08 (a) and (b) of the Credit Agreement, 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 this Amendment; and (ii) it will independently and without reliance upon the 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 credit decisions in taking or not taking action under the Credit Agreement; and (iii) it appoints and authorizes the Agent to take such action as Agent on its behalf and to exercise such powers under the Credit Agreement and the other Facility Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (iv) it agrees that it will perform in accordance with their terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

(d) The Lending Office of the New Lender, and its address for notices for purposes of Section 12.06 of the Credit Agreement, are as follows:

Credit Suisse First Boston  
 11 Madison Avenue, 9th Floor  
 New York, NY 10010-3629  
 Attention: Mr. Karl Studer  
 Telecopier No.: 212-325-8326

Section 1.2 Telephone Instructions. Subject to the terms of the Authorization Letter, the Agent and the Issuing Bank agree that they will accept from the Borrower by telephone (provided that the same is confirmed by telecopy promptly, and in all events on the same day as such telephone communication) any Borrowing Request, any notice of prepayment referred to in Section 2.12 of the Credit Agreement and any notice as to a Letter of Credit referred to in Section 3.02 of the Credit Agreement.

Section 1.03 Lenders to Pay Interest Based on Federal Funds Rate Only. (a) The last sentence of Section 2.02(e) of the Credit Agreement is hereby amended to read as follows:

"If any Lender shall not have made its Pro Rata Percentage of such L/C Disbursement available to the Agent as provided above, such Lender and the Borrower severally agree to pay interest on such amount, for each day from and including the date such amount is required to be paid in accordance with this paragraph to but excluding the date such amount is paid, to the Agent for the account of the Issuing Bank at (i) in the case of the Borrower, a rate per annum equal to the Alternate Base Rate, and (ii) in the case of such Lender, a rate per annum equal to, for the first such day, the Federal Funds Effective Rate and, for each day thereafter, one percent per annum in excess of the Federal Funds Effective Rate.

(b) The last sentence of Section 2.05(a) of the Credit Agreement is hereby amended to read as follows:

"If any Lender shall not have made its Pro Rata Percentage of such aggregate amount specified in such notice available to the Agent as provided in the immediately preceding sentence, such Lender shall (independently of and in addition to the Borrower's obligation to pay

interest on such amount) pay interest on its Pro Rata Percentage of such amount for each day from and including the date the same is required to be paid in accordance with this paragraph to but excluding the date the same is paid, to the 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."

(c) The last sentence of Section 2.05(d) of the Credit Agreement is hereby amended to read as follows:

"Each Lender shall in addition pay to the Agent for the account of the Swingline Bank interest on the amount of such obligation of such Lender for each day from and including the date such amount is required to be paid in accordance with this paragraph to but excluding the date such amount is paid, 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."

Section 1.4 Account for Swiss Franc Loans. Pursuant to the Letter of Direction as to Swiss Franc Loans dated July 23, 1997 from the Borrower to the Agent, the Borrower requested the Agent to disburse the proceeds of Swiss Franc Loans to a bank account in the name of Concord Watch Company, S.A. (a Subsidiary of the Borrower) at Swiss Bank Corporation of Biene, Switzerland. The Borrower agreed in such Letter that it would, within 60 days, open an account in its own name at such bank (or at another banking institution), to which the proceeds of Swiss Franc Loans would thereafter be disbursed. The Borrower has requested relief from such requirement that such account be opened in its own name. Accordingly, such Letter is hereby amended by deleting (in the third paragraph thereof) the phrase "within the next 60 days" and substituting therefor the phrase "within 10 days after the request by the Agent."

## ARTICLE II. MATTERS GENERALLY

Section 2.1 Representations and Warranties. The Borrower hereby represents and warrants that:

- (a) All the representations and warranties set forth in the Credit Agreement are true and complete on and as of the date hereof (with the same effect as though made on and as of such date).
- (b) No Default or Event of Default exists.
- (c) The Borrower has no offset or defense with respect to any of its obligations under the Credit Agreement or any of the Notes or any other Facility Document, and no claim or counterclaim against any Lender, the Swingline Bank, the Issuing Bank, the Agent or the Co-Agent whatsoever (any such offset, defense, claim or counterclaim as may now exist being hereby irrevocably waived by the Borrower).
- (d) This Amendment and the Syndicated Loan Note in favor of the New Lender being executed and delivered simultaneously herewith have been duly authorized, executed and delivered by the Borrower.

Section 2.2 Guarantor Consent. SwissAm shall execute this Amendment in the space provided below to indicate its consent to the terms of this Amendment.

Section 2.3 Expenses. The Borrower shall pay all reasonable expenses incurred by the Agent in connection with the transaction contemplated by this Amendment, including (without limitation) the fees and disbursements of counsel for the Agent.

Section 2.4 Continuing Effect. Except as otherwise expressly provided in this Amendment, all the terms and conditions of the Credit Agreement shall continue in full force and effect. All the Facility Documents also shall continue in full force and effect.

Section 2.5 Entire Agreement. This Amendment (together with the Syndicated Loan Note in favor of the New Lender being executed and delivered simultaneously herewith) constitutes the entire agreement of the parties hereto with respect to an amendment of the Credit Agreement pertaining to the subject matter hereof, and it (together with such Note) supersedes and replaces all prior and contemporaneous agreements, discussions and understandings (whether written or oral) with respect to such amendment.

Section 2.6 Counterparts. This Amendment may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

Section 2.7 Effectiveness. This Amendment shall not become effective unless and until it shall have been executed and delivered by all the parties hereto (which execution and delivery may be evidenced by telecopies).

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

MOVADO GROUP, INC.

By: /s/ John J. Rooney

-----  
Name (Print): John J. Rooney  
Title: Corp. Controller

THE CHASE MANHATTAN BANK, as Agent,  
as Lender, as Swingline Bank and as  
Issuing Bank

By:

-----  
Eileen McEvoy Higgins  
Vice President



Section 2.2 Guarantor Consent. SwissAm shall execute this Amendment in the space provided below to indicate its consent to the terms of this Amendment.

Section 2.3 Expenses. The Borrower shall pay all reasonable expenses incurred by the Agent in connection with the transaction contemplated by this Amendment, including (without limitation) the fees and disbursements of counsel for the Agent.

Section 2.4 Continuing Effect. Except as otherwise expressly provided in this Amendment, all the terms and conditions of the Credit Agreement shall continue in full force and effect. All the Facility Documents also shall continue in full force and effect.

Section 2.5 Entire Agreement. This Amendment (together with the Syndicated Loan Note in favor of the New Lender being executed and delivered simultaneously herewith) constitutes the entire agreement on the parties hereto with respect to an amendment of the Credit Agreement pertaining to the subject matter hereof, and it (together with such Note) supersedes and replaces all prior and contemporaneous agreements, discussions and understandings (whether written or oral) with respect to such amendment.

Section 2.6 Counterparts. This Amendment may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

Section 2.7 Effectiveness. This Amendment shall not become effective unless and until it shall have been executed and delivered by all the parties hereto (which execution and delivery may be evidenced by telecopies).

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

MOVADO GROUP, INC.

By: \_\_\_\_\_  
Name (Print):  
Title:

THE CHASE MANHATTAN BANK, as Agent, as Lender, as Swingline Bank and as Issuing Bank

By: /s/ Eileen McEvoy Higgins  
\_\_\_\_\_  
Eileen McEvoy Higgins  
Vice President

FLEET BANK, N.A., as Co-Agent and as Lender

By: /s/ Michael Merlo  
-----  
Michael J. Merlo  
Vice President

MARINE MIDLAND BANK

By: -----  
John S. Wamboldt  
Vice President

THE BANK OF NEW YORK

BY: -----  
Linda Mae Coppa  
Vice President

CREDIT SUISSE FIRST BOSTON

BY: -----  
Name (Print):  
Title:

CONSENTED TO:  
SWISSAM INC., as Guarantor

By: -----  
Name (Print):  
Title:

FLEET BANK, N.A., as Co-Agent and as Lender

By: -----  
Michael J. Merlo  
Vice President

MARINE MIDLAND BANK

By: /s/ John S. Wamboldt  
-----  
John S. Wamboldt  
Vice President

THE BANK OF NEW YORK

BY: -----  
Linda Mae Coppa  
Vice President

CREDIT SUISSE FIRST BOSTON

BY: -----  
Name (Print):  
Title:

CONSENTED TO:  
SWISSAM INC., as Guarantor

By: -----  
Name (Print):  
Title:

FLEET BANK, N.A., as Co-Agent and as Lender

By: -----  
Michael J. Merlo  
Vice President

MARINE MIDLAND BANK

By: -----  
John S. Wamboldt  
Vice President

THE BANK OF NEW YORK

BY: /s/ Linda Mae Coppa  
-----  
Linda Mae Coppa  
Vice President

CREDIT SUISSE FIRST BOSTON

BY: -----  
Name (Print):  
Title:

CONSENTED TO:  
SWISSAM INC., as Guarantor

By: -----  
Name (Print):  
Title:

FLEET BANK, N.A., as Co-Agent and as Lender

By: -----  
Michael J. Merlo  
Vice President

MARINE MIDLAND BANK

By: -----  
John S. Wamboldt  
Vice President

THE BANK OF NEW YORK

BY: -----  
Linda Mae Coppa  
Vice President

CREDIT SUISSE FIRST BOSTON

BY: /s/ Karl M Studer  
-----  
Name (Print): Karl M. Studer  
Title: Director

MARTIN P. LASANCE  
ASSOCIATE

CONSENTED TO:

SWISSAM INC., as Guarantor

By: -----  
Name (Print):  
Title:

FLEET BANK, N.A., as Co-Agent and as Lender

By: -----  
Michael J. Merlo  
Vice President

MARINE MIDLAND BANK

By: -----  
John S. Wamboldt  
Vice President

THE BANK OF NEW YORK

BY: -----  
Linda Mae Coppa  
Vice President

CREDIT SUISSE FIRST BOSTON

BY: -----  
Name (Print):  
Title:

CONSENTED TO:

SWISSAM INC., as Guarantor

By: /s/ David R. Phalen  
-----  
Name (Print): David R. Phalen  
Title:

## CONSENT TO SUBLEASE

This CONSENT TO SUBLEASE ("Consent"), dated as of the 18th day of June, 1997 is being entered among MEADOWLANDS ASSOCIATES, a New Jersey limited partnership, having an office c/o Bellemead Management Co., Inc. at 280 Corporate Center, 4 Becker Farm Road, Third Floor, Roseland, New Jersey 07068-3788 ("Landlord"), ALEXANDER & ALEXANDER CONSULTING GROUP, INC., a New Jersey corporation, having an office at 125 Chubb Avenue, Lyndhurst, New Jersey ("Tenant") and MOVADO GROUP, INC. a New York corporation, having an office at 125 Chubb Avenue, Lyndhurst, New Jersey 07071 ("Subtenant").

## W I T N E S S E T H:

WHEREAS, Landlord and Tenant entered into a certain lease dated as of October 7, 1986 (said lease as the same was or may hereafter be amended is hereinafter called the "Lease") for a portion ("Premises") of the building ("Building") known as and located at 125 Chubb Avenue, Lyndhurst, New Jersey; and

WHEREAS, Subtenant desires to sublet from Tenant a portion ("Sublet Space") of the Premises in accordance with that certain sublease ("Sublease") between Tenant, as sublessor and Subtenant, as sublessee, a copy of which is attached hereto as Exhibit A;

NOW, THEREFORE, for good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, it is mutually covenanted and agreed as follows:

A. Unless otherwise defined, all terms contained in this Consent shall, for the purposes hereof, have the same meaning ascribed to them in the Lease.

B. Landlord consents to the subletting of the Sublet Space by Tenant to Subtenant, upon and expressly subject to the following terms and conditions, to each of which Tenant and Subtenant expressly agree:

1. Nothing herein contained shall be construed to modify, waive, impair or affect any of the covenants, agreements, terms, provisions, or conditions contained in the Lease (except as herein expressly provided), or to waive any breach thereof, or any rights of Landlord against any person, firm, association or corporation liable or responsible for the performance thereof, or to enlarge or increase Landlord's obligations or decrease Landlord's rights under the Lease, and all covenants, agreements, terms, provisions and conditions of the Lease are hereby mutually declared to be in full force and effect.

2. Unless and except as otherwise specifically provided in the Lease or this Consent, the provisions of Articles 11 and 48 of the Lease shall apply to any further subletting or assignment of all or any part of the Premises. In such event, Landlord shall retain its rights under Articles 11 and 48 of the Lease.

3. Tenant shall be and remain liable and responsible for the due keeping, performance and observance of all the covenants, agreements, terms, provisions and conditions set forth in the Lease on the part of the Tenant to be kept, performed and observed and for the payment of the Minimum Rent, Adjusted Minimum Rent and additional rent and all other sums now and/or hereafter becoming payable thereunder, expressly including as such (but not limited to) adjustments of rent, and any and all charges for any additional electric energy, property, material, labor, utility or other similar or dissimilar services or materials rendered, supplied or furnished by Landlord, in or in connection with, the Premises or any part thereof, whether for or at the request of Tenant or Subtenant.

4. The Sublease shall be subject and subordinate at all times to the Lease and to all of the covenants, agreements, terms, provisions and conditions of the Lease and to this Consent, and neither Tenant nor Subtenant shall do or permit anything to be done in connection with the Subtenant's occupancy of the Sublet Space, or any part thereof, which would violate any of said covenants, agreements, terms, provisions and conditions.

5. Tenant and Subtenant agree that Landlord is not responsible for the payment of any commissions or fees in connection with this transaction and each agrees to indemnify, defend and hold Landlord, its partners, directors or officers and their affiliates and/or subsidiaries harmless from and against any claims, liability, losses or expenses, including attorneys' fees, court costs and disbursements incurred by Landlord during settlement, at trial or on appeal, in connection with any claims for commission by any broker or agent in connection with this transaction.)

6. Upon the expiration, or any earlier termination of the term of the Lease or in case of the surrender of the Lease by Tenant to Landlord, the Sublease and the term and estate thereby granted shall expire and come to an end as of the effective date of such expiration, termination or surrender, and Subtenant shall vacate the Sublet Space on or before such date. In case of the failure of Subtenant to so vacate, Landlord shall be entitled to all the rights and remedies which are available to a landlord against a tenant holding over after the expiration of a term and Tenant shall remain primarily liable for any damages suffered by Landlord. Upon the expiration or any earlier termination of the term of the Lease or in case of the surrender of the Lease by Tenant to Landlord, Subtenant shall, at the request of Landlord, attorn to and accept Landlord as sublandlord under the Sublease for the balance of the term of the Sublease and be bound to perform all of the obligations imposed by the Sublease upon Subtenant, except that Subtenant shall pay Landlord for the remainder of the term of the Sublease rent at fair market value to be reasonably determined in good faith by Landlord, considering applicable market conditions. Such attornment shall be evidenced by an agreement in form and substance satisfactory to Landlord which Subtenant shall execute and deliver within five (5) days after request by Landlord. Subtenant waives the provisions of any law now or hereafter in effect which may give Subtenant any right of election to terminate the Sublease or to surrender possession of the Sublet Space in the event any proceeding is brought by Landlord to terminate the Lease.

7. Subtenant agrees that if Subtenant, at Landlord's sole discretion, should become a direct tenant of Landlord for the Premises or any part thereof upon the expiration or earlier termination of the Lease, Landlord shall not (a) be liable for any previous act or omission of Tenant under the Sublease, (b) be subject to any offset or credit which shall theretofore have accrued to Subtenant against Tenant, (c) have any obligation whatsoever with respect to any security deposited under the Sublease, (d) be bound by any previous prepayment of rent or any other advance payment of monies due under the Sublease, and (e) be responsible for the payment of any commission or fees in connection with a direct lease between Landlord and Subtenant. Subtenant agrees to indemnify, defend and hold Landlord, its partners, directors or officers and their affiliates and/or subsidiaries harmless from and against any claims, liability, losses or expenses, including attorneys' fees, court costs and disbursements incurred by Landlord during settlement, at trial or on appeal, in connection with any such direct lease.

8. In case of the violation by Tenant or Subtenant of any of the covenants, agreements, terms, provisions and conditions hereof, Landlord may give written notice of such violation to Tenant and/or Subtenant (such notice to be delivered personally or by mail addressed to said parties at the Premises), and if such violation



shall not be discontinued or corrected within a reasonable time as specified in such notice, Landlord may, in addition to Landlord's other remedies, revoke this Consent. Reference in this Consent to any particular remedy shall not preclude Landlord from any other remedy in law or in equity.

9. No alterations, additions (electrical or otherwise), or physical changes shall be made in the Premises, or any part thereof, except pursuant to the covenants, agreements, provisions, terms and conditions of the Lease.

10. Tenant and Subtenant agree that (i) a copy of the Sublease has been furnished to Landlord; (ii) Landlord is not a party to the Sublease and is not bound by the provisions thereof; and (iii) notwithstanding the foregoing, the Sublease will not be modified or amended in any way without the prior written consent of Landlord.

11. Tenant and Subtenant jointly and severally represent and agree that Subtenant is financially responsible, of good reputation, and engaged in a business which is in keeping with the standards of Landlord in those respects for the Building and its occupancy.

12. Tenant agrees to pay over to Landlord from time to time upon Landlord's request fifty percent (50%) of all consideration payable by Subtenant to Tenant to the extent required by Section 48.4 of the Lease. Tenant and Subtenant represent and warrant to Landlord that no compensation of any kind other than as set forth in the Sublease has been or will be paid by Subtenant to Tenant in connection with the Sublease. Tenant and Subtenant agree to provide sworn statements to Landlord within five (5) days after Landlord's request therefor showing the rent actually charged by Tenant to Subtenant and in connection therewith Landlord shall be authorized to examine, copy and audit all pertinent books and records of Tenant and Subtenant which Tenant and Subtenant agree to produce at their sole cost and expense at the request of Landlord. If Landlord's review of any of said books or records discloses that compensation other than as set forth in the Sublease has been paid by Subtenant to Tenant, Tenant shall promptly pay fifty percent (50%) thereof to Landlord together with interest at the highest rate allowed under law and the cost of Landlord's review.

13. Tenant agrees that it is solely responsible for obtaining all permits and approvals required by any governmental or quasi-governmental agency for any work or otherwise required in connection with the Sublease. Upon execution of the Consent, Tenant shall pay to Landlord \$3,000.00, as additional rent, pursuant to Section 48.9 of the Lease. Tenant hereby agrees that said \$3,000.00 charge is fair and reasonable.

14. If Tenant breaches any of the terms and provisions of the Lease, Landlord may elect, under N.J.S.A. 2A:42-4, as same may be amended, to receive directly from Subtenant all sums due or payable to Tenant by Subtenant pursuant to the Sublease, and upon receipt of Landlord's notice, Subtenant shall thereafter pay to Landlord any and all sums becoming due or payable under the Sublease and Tenant shall receive from Landlord a corresponding credit for such sums against any payments then due or thereafter becoming due from Tenant. Neither the giving of such written notice nor the receipt of such direct payments shall cause Landlord to assume any of Tenant's duties, obligations and/or liabilities under the Sublease, nor shall such event impose upon Landlord the duty or obligation to honor the Sublease nor subsequently to accept Subtenant's attornment pursuant to Sections 6 and 7 hereof.

15. Tenant and Subtenant agree that if Subtenant breaches any term of the Sublease, Landlord may, at its option and for its own sole benefit, exercise against Subtenant all or any of the rights and remedies that Tenant has against Subtenant at law, in equity or

under the Sublease. Tenant acknowledges that the exercise by Landlord of all or any of the foregoing rights and remedies against Subtenant shall not preclude Landlord from pursuing any right or remedy against Tenant. The exercise by Landlord against Subtenant of any or all of Tenant's rights and remedies shall neither cause Landlord to assume any of Tenant's duties, obligations and/or liabilities under the Sublease nor impose upon Landlord the duty or obligation to honor the Sublease nor subsequently to accept Subtenant's attornment pursuant to Sections 6 and 7 hereof.

16. Tenant agrees to hold any and all payments due under the Sublease as a trust fund to be applied first to the satisfaction of all of Tenant's obligations under the Lease and hereunder before using any part thereof for any other purpose.

17. This Consent may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any change is sought.

18. This Consent shall not be binding upon Landlord unless and until it is signed by Landlord.

19. Alexander & Alexander Services Inc. ("Guarantor") executed a Guaranty dated October 7, 1986 in favor of Landlord. By executing this Consent, Guarantor confirms and ratifies, pursuant to Paragraph 2.(f) of the Guaranty, that the obligations of Guarantor under the Guaranty shall continue to apply to all of the terms and provisions of the Lease.

IN WITNESS WHEREOF, the parties hereto have caused this Consent to be duly executed as of the 18th day of June, 1997.

LANDLORD:

WITNESSED BY:

MEADOWLANDS ASSOCIATES  
By: ARC Meadowlands Associates,  
General Partner  
By: ARC Meadowlands, Inc.,  
General Partner

/s/ Michael Melager  
-----  
Name: M. Melager  
-----  
(Please Print)

By: /s/ M. Futterman  
-----  
Michael Futterman  
President

AGENT FOR LANDLORD:

ATTESTED BY:

BELLEMEAD MANAGEMENT CO., INC.

/s/ Marc Leonard Ripp  
-----  
Marc Leonard Ripp  
Assistant Secretary

By: /s/ Samuel Ketive  
-----  
Samuel Ketive  
Senior Vice President

APPLY CORPORATE SEAL HERE

TENANT:

ATTESTED BY:

ALEXANDER & ALEXANDER CONSULTING  
GROUP, INC.

/s/ Arlene Jeschke  
-----  
Name: Arlene Jeschke  
-----  
(Please Print)  
Title: Assistant Secretary

By: /s/ Jerome S. Hanner  
-----  
Name: Jerome S. Hanner  
-----  
(Please Print)  
Title: Vice President  
-----  
(Please Print)

APPLY CORPORATE SEAL HERE

SUBTENANT:

ATTESTED BY:

MOVADO GROUP, INC.

/s/ Timothy F. Michno  
-----  
Name: Timothy F. Michno  
-----  
(Please Print)  
Title: Corporate Secretary

By: /s/ Efraim Grinberg  
-----  
Name: Efraim Grinberg  
-----  
(Please Print)  
Title: President  
-----  
(Please Print)

GUARANTOR:

ATTESTED BY:  
/s/ Arlene Jeschke  
-----  
Name: Arlene Jeschke  
-----  
(Please Print)  
Title: Assistant Secretary

ALEXANDER & ALEXANDER SERVICES INC.  
By: /s/ Jerome S. Hanner  
-----  
Name: Jerome S. Hanner  
-----  
(Please Print)  
Title: Vice President  
-----  
(Please Print)

APPLY CORPORATE SEAL HERE

## EXHIBIT A

## SUBLEASE AGREEMENT

This SUBLEASE AGREEMENT ("Sublease") is made and entered into as of the 7th day of May, 1997 by and between Alexander & Alexander Consulting Group, Inc., a New Jersey corporation ("Sublandlord") and Movado Group, Inc., a New York Corporation ("Subtenant").

WHEREAS, Meadowlands Associates, a New Jersey Limited Partnership as landlord ("Landlord"), and Sublandlord as tenant ("Tenant"), entered into a Lease dated October 7, 1986 as modified pursuant to the First Amendment of Lease dated October 27, 1986 and the Second Amendment of Lease dated December 28, 1993 collectively known as ("Master Lease") whereby Landlord leased portions of the second floor and the fifth floor containing 74,303 rentable square feet ("Master Premises") of the building located at 125 Chubb Avenue, Lyndhurst, New Jersey (the "Building"), as more particularly described in the Master Lease, upon the terms and conditions contained therein. All capitalized terms used herein shall have the same meaning ascribed to them in the Master Lease unless otherwise defined herein. A copy of the Master Lease is attached hereto as Exhibit "A" and made a part hereof.

WHEREAS, Sublandlord and Subtenant are desirous of entering into a sublease for a portion of the Master Premises on the fifth floor shown cross-hatched in black on the demising plan annexed hereto as Exhibit "B" and made a part hereof ("Sublease Premises") on the terms and conditions hereafter set forth.

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

1. Demised Premises. Sublandlord hereby subleases and demises to Subtenant and Subtenant hereby hires and subleases from Sublandlord the Sublease Premises (which the parties stipulate contain 17,862 rentable square feet), upon and subject to the terms, covenants and conditions hereinafter set forth. The Parties agree that the Licensed Area (as defined in section 21 and as set forth on Exhibit "C" hereto) contains 625 rentable square feet. For the duration of Sublandlord's use of the Licensed Area, notwithstanding anything to the contrary contained herein, the Base Rental shall be \$22,986.67/month.

## 2. Lease Term.

(a) Lease Term. The term of this Sublease ("Term") shall be for a term, commencing May 1, 1997, or on any later date upon which Landlord consents to such Sublease and Sublandlord vacates the Sublease Premises (except the Computer Room, as hereinafter defined) and notifies Subtenant ("Sublease Commencement Date") and ending, unless sooner terminated as provided herein, on July 30, 1999 ("Sublease Expiration Date").

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

## 4. Subrental.

(a) Base Rental. Subject to Section 1 and provided that Landlord has consented to this Sublease, beginning with the Sublease Commencement Date and thereafter during the Term of this Sublease and ending on the Sublease Expiration Date, subtenant shall pay to Sublandlord \$23,816.00/Month (\$16.00/RSF/Annum) in monthly installments of base rent ("Base Rental").

The first monthly installment of Base Rental shall be paid by Subtenant upon the execution of this Sublease. Base Rental and additional rent (including without limitation, late fees) shall hereinafter be collectively referred to as "Rent." Notwithstanding the above, Subtenant shall have the Base Rental abated for the first 45 days of the Term from the Sublease Commencement Date.

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

(c) Additional Rent. Beginning with the Sublease Commencement Date and continuing to the Sublease Expiration Date, Subtenant shall pay to Sublandlord as additional rent for this subletting all special or after-hours cleaning, heating, ventilating, air-conditioning, elevator and other Building charges incurred at the request of, or on behalf of, Subtenant, or with respect to the Sublease Premises and all other additional expenses, costs and charges payable to Landlord in connection with Subtenant's use of the Sublease Premises.

(d) Operating Expenses. Beginning with the Sublease Commencement Date and thereafter during the Term of this Sublease, Subtenant shall pay to Sublandlord as additional rent for this subletting an amount equal to 6.41% ("Subtenant's Share") of the excess of Building Operating Costs (as set forth in Article 36 of the Master Lease) for the Building for 1998 and any subsequent calendar year over the total amount of Building Operating Costs for the Building incurred by Landlord during calendar year 1997 ("Base Year") pursuant to the terms and conditions of the Master Lease. Subtenant's Share is a percentage which reflects the ratio of the rentable square feet in the Sublease Premises to the rentable square feet in the Building.

(e) Real Estate Taxes. Beginning with the Sublease Commencement Date and thereafter during the Term of this Sublease, Subtenant shall pay to Sublandlord as additional rent for this subletting 6.41% ("Subtenant's Share") of the excess of Real Estate Taxes (as set forth in Article 36 of the Master Lease) for the Building for 1998 and any subsequent calendar year over the total amount of Real Estate Taxes for the Building incurred by Landlord during the Base Year pursuant to the terms and conditions of the Master Lease. Subtenant's Share is a percentage which reflects the ratio of the rentable square feet in the Sublease Premises to the square feet in the Building.

(f) Payment of Rent. Except as otherwise specifically provided in this Sublease, Base Rental shall be payable in lawful money without demand, and without offset, counterclaim, or set off in monthly installments, in advance, on the first day of each and every month during the Term of this Sublease. Additional rent shall be paid to Sublandlord within twenty (20) days after receipt of a statement setting out such additional rent amounts then due, such payments to be made in both monthly estimated installments and annual adjustments. All of said Rent is to be paid to Sublandlord at its office at the address set forth in Section 11 herein, or at such other place or to such agent and at such place as Sublandlord may designate by notice to Subtenant. Any additional rent payable (including electric unless paid directly to the utility company) on account of items which are not payable monthly by Sublandlord to Landlord under the Master Lease is to be paid to Sublandlord as and when such items are payable by Sublandlord to Landlord under the Master Lease unless a different time for payment is elsewhere stated herein. Upon written request therefor, Sublandlord agrees to provide Subtenant with copies of any statements or invoices received by Sublandlord from Landlord pursuant to the terms of the Master Lease.

(g) Late Charge. Subtenant shall pay to Sublandlord an administrative charge at an annual interest rate equal to the prime rate

charged by Citibank, N.A., plus two percent (2%) ("Interest Rate") on all past-due amounts of Rent payable hereunder, such charge to accrue from the date upon which such amount was due until paid.

5. Parking. Subtenant shall have the right, during the Term of this Sublease to use up to 45 spaces in the parking areas serving the Building. All such parking privileges shall be subject to the terms and conditions set forth in Article 43 of the Master Lease.

6. Incorporation of Terms of Master Lease.

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

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

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

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

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

(c) The following provisions of the Master Lease are specifically excluded in their entirety: Article 33, Article 38, Article 46 (Broker), Article 60, Article 61 and Article 62.

(d) Sublandlord affirms that so long as Subtenant is not in default beyond any applicable grace periods, Sublandlord shall not exercise its rights under second amendment, Article 11.

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

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

8. Sublandlord's Obligations. Sublandlord agrees that Subtenant shall be entitled to receive all services and repairs to be provided by Landlord to Sublandlord under the Master Lease. Subtenant shall look solely to Landlord for all such services and shall not, under any circumstances, seek nor require Sublandlord to perform any of such services, nor shall Subtenant make any claim upon Sublandlord for any damages which may arise by reason of Landlord's default under the Master Lease. Any condition resulting from a default by Landlord shall not constitute as between Sublandlord and Subtenant an eviction, actual or constructive, of Subtenant unless such condition constitutes an eviction, actual or reconstructive, as between Sublandlord and Landlord and no such default shall excuse Subtenant from the performance or observance of any of its obligations to be performed or observed under this Sublease, or entitle Subtenant to receive any reduction in or abatement of the Rent provided for in this Sublease unless such default



excuses Sublandlord from the performance or observation of any of its obligations under the Master Lease or entitles Sublandlord to receive any reduction or abatement of Minimum Rent under the Master Lease. In furtherance of the foregoing, Subtenant does hereby waive any cause of action and any right to bring any action against Sublandlord by reason of any act or omission of Landlord under the Master Lease. Sublandlord covenants and agrees with Subtenant that Sublandlord will pay all fixed rent and additional rent payable by Sublandlord pursuant to the Master Lease and perform all other obligations of Sublandlord under the Master Lease with respect to the balance of the Master Premises outside of the Sublease Premise to the extent that failure to perform the same would adversely affect Subtenant's use or occupancy of the Sublease Premises.

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

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

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

11. Notices. Anything contained in any provision of this Sublease to the contrary notwithstanding (other than the payment of Rent, as to which Subtenant shall have the right to cure within the period of time set out in Section 4 hereof, Subtenant agrees, with respect to the Sublease Premises, to comply with and remedy any default in this Sublease or the Master Lease which, under the terms of this Sublease, is Subtenant's obligation to cure, within the period allowed to Sublandlord under the Master Lease even if such time period is shorter than the period otherwise allowed therein due to the fact that notice of default from Sublandlord to Subtenant is given after the corresponding notice of default from Landlord to Sublandlord; provided that

Sublandlord shall have forwarded to Subtenant, promptly upon receipt thereof by Sublandlord, a copy of each notice of default received by Sublandlord in its capacity as Tenant under the Master Lease. Subtenant agrees to forward to Sublandlord, promptly upon receipt thereof, copies of any notices received by Subtenant from Landlord or from any governmental authorities. All notices, demands and requests shall be in writing and shall be sent either by hand delivery or by a nationally recognized overnight courier service (e.g., Federal Express), in either case return receipt requested, to the address of the appropriate party. Notices, demands and requests so sent shall be deemed given when the same are received. Notices to Sublandlord shall be sent to the attention of:

Alexander & Alexander Inc.  
10461 Mill Run Circle  
Owings Mills, Maryland 21117-5500  
Attn: William F. Mulroy

with a copy to:  
Sonnenschein Nath & Rosenthal  
8000 Sears Tower  
Chicago, Illinois 60606  
Attention: Patrick G. Moran

Notices to Subtenant shall be sent to the attention of:

Movado Group, Inc.  
125 Chubb Avenue  
Lyndhurst, New Jersey 07071  
Attn: Richard Buonocure  
Copy to: General Counsel

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

13. Condition of Premises. Subtenant acknowledges that it is subleasing the Sublease Premises "as-is" on the date hereof and that Sublandlord is not making any representation or warranty concerning the condition of the Sublease Premises and that Sublandlord is not obligated to perform any work to prepare the Sublease Premises for Subtenant's

occupancy provided, however, that the Sublandlord shall, at its expense, promptly repair any damage to the Sublease Premises arising out of any act or omission of Sublandlord or its employees, agents, officers, directors, representatives or contractors prior to the Sublease Commencement Date. Subtenant acknowledges that it is not authorized to make or do any alterations or improvements in or to the Sublease Premises except as permitted by the provisions of this Sublease and the Master Lease and that it must deliver the Sublease Premises to Sublandlord on the Sublease Expiration Date in same condition as they existed on the Sublease Commencement Date unless Landlord has waived its right to require removal of such alterations and improvements made by Subtenant.

14. Consent of Landlord. Article 48 of the Master Lease requires Sublandlord to obtain the written consent of Landlord to this Sublease. Sublandlord shall solicit Landlord's consent to this Sublease promptly following the execution and delivery of this Sublease by Sublandlord and Subtenant. In the event Landlord's written consent to this Sublease has not been obtained within ninety (90) days after the execution hereof, then this Sublease may be terminated by either party hereto upon notice to the other, and upon such termination neither party hereto shall have any further rights against or obligations to the other party hereto. Neither Sublandlord nor Subtenant shall be obligated to incur any cost or expense in obtaining Landlord's consent, Subtenant agrees to execute the attornment agreement described in Section 48.5 of the Master Lease if Landlord so requests.

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

16. Assignment and Subletting.

(a) Independent of and in addition to any provisions of the Master Lease, including without limitation the obligation to obtain Landlord's consent to any assignment, it is understood and agreed that Subtenant shall have no right to sublet the Sublease Premises or any portion thereof or any right or privilege appurtenant thereto; provided, however, that Subtenant shall have the right to assign this Sublease or any interest therein, and to suffer or permit any other person to occupy or use the Sublease Premises, only upon the prior written consent of Sublandlord and Landlord, which consent shall not be unreasonably withheld. Any assignment by Subtenant without Sublandlord's prior written consent shall be void and shall, at the option of Sublandlord, terminate this Sublease.

(b) Subtenant shall advise Sublandlord by notice of (i) Subtenant's intent to assign this Sublease, (ii) the name of the proposed assignee and evidence reasonably satisfactory to Sublandlord that such proposed assignee is comparable in reputation, stature and financial condition to tenants then leasing comparable space in comparable buildings, and (iii) the terms of the proposed assignment. Sublandlord shall, within thirty (30) days of receipt of such notice, and any additional information requested by Landlord concerning the proposed assignee's financial responsibility, elect one of the following:

- (i) Consent of such proposed assignment;
- (ii) Refuse such consent, which refusal shall be on reasonable ground; or
- (iii) Elect to terminate the Sublease.

(c) In the event that Sublandlord shall consent to an assignment under the provisions of this Section 16, Subtenant shall pay Sublandlord's reasonable processing costs and reasonable attorneys' fees incurred in giving such consent. Notwithstanding any permitted assignment, Subtenant shall at all times remain directly, primarily and fully responsible and liable for all payments owed by Subtenant under the Sublease and for compliance with all obligations under the terms, provisions and covenants of the Sublease. If for any proposed assignment, Subtenant receives Rent or other consideration, either initially or over the term of the assignment, in excess of the Rent required by this Sublease, after a deduction for the following: (a) any brokerage commission paid by Subtenant in connection therewith and (b) any reasonable attorneys' fees in connection with preparing and negotiating an assignment document ("Profit"), Subtenant shall pay to Sublandlord as additional Rent, fifty percent (50%) of such Profit or other consideration received by Subtenant within five (5) days of its receipt by Subtenant or, in the event the assignee makes payment directly to Sublandlord, Sublandlord shall refund fifty percent (50%) of the Profit to Subtenant after deducting (a) and (b) above.

(d) Occupancy of all or part of the Sublease Premises by parent, subsidiary, or affiliated companies of Subtenant shall not be deemed an assignment or subletting provided that such parent, subsidiary or affiliated companies were not formed as a subterfuge to avoid the obligation of this Section. If Subtenant is a corporation, unincorporated association, trust or general or limited partnership, then the sale, assignment, transfer or hypothecation of any shares, partnership interest, or other ownership interest of such entity or the dissolution, merger, consolidation, or other reorganization

of such entity, or the sale, assignment, transfer or hypothecation of the assets of such entity, shall not be deemed an assignment or sublease subject to the provisions of this Section.

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

20. Security Deposit.

(a) For the period commencing on the date hereof and continuing until the Sublease Expiration Date, Subtenant shall maintain in effect an irrevocable, standby letter of credit from a bank satisfactory to Sublandlord, naming Sublandlord as beneficiary in the sum of \$23,816.00 as security for the due and faithful payment as herein provided of the rent, additional rent, charges and damages payable by Subtenant under this Sublease or pursuant to law or for the due and faithful keeping, observance and performance of all other covenants, agreements, terms, provisions and conditions of this Sublease on the part of Subtenant to be kept, observed and performed. If, at any time, Subtenant shall be in default beyond any applicable notice and cure period in the payment of any such monies or in the keeping, observance or performance of any such other covenant, agreement term, provision or condition or such letter of credit if not renewed within 30 days prior to its stated expiration date, Sublandlord may draw upon such letter of credit by presenting a sight draft and a statement certifying that such a default or failure to renew has occurred and, at its election, either hold such amount as security or apply such amount to the payment of any such monies or to the payment of the costs incurred by Sublandlord in curing such default, as the case may be. If, as a result of any such application of all or any part of such security, the amount of such letter of credit shall be less than \$23,816.00 Subtenant shall forthwith deposit with Sublandlord cash in an amount equal to the deficiency.

(b) On the Sublease Expiration Date, provided Subtenant is not then in default beyond any applicable notice and cure periods under the terms of this Sublease, the full amount of any cash security deposit (to the extent not otherwise applied in accordance with the provisions hereof) plus (subject to the Service Charge deduction) any interest earned thereon shall be returned to Subtenant along with the letter of credit. In the event Subtenant is in default on the Sublease Expiration Date, such date shall be extended by the applicable notice and cure period, it being understood that if

Subtenant does not then timely cure any such default. Subtenant's right to have the cash security deposit returned shall be waived and Sublandlord may retain such cash security deposit and may draw upon the letter of credit and retain the proceeds thereof.

21. Sublandlord License. In accordance with the terms contained in this Section 21, from the date hereof until August 1, 1997 or such earlier date as Sublandlord shall vacate such space, Sublandlord shall have the right and license to enter upon and use that portion of the Sublease Premises delineated by cross hatching in Exhibit "C" hereto which prior to the date hereof was used by Sublandlord as a location for certain computer equipment (the "Licensed Area"). Sublandlord shall have the right to use the computer equipment located therein on the date hereof. Sublandlord shall have the right to access, enter upon and use the Licensed Area during normal business hours and Subtenant shall provide card keys for such unrestricted access to the Licensed Area provided, however, that in the event of an emergency Sublandlord shall give prior notice to Subtenant's Director of Security at pager number 1 (800) 759-7243 x 16046115. Sublandlord will defend indemnify and hold Subtenant harmless from any and all claims, liability, damage, cost, expense (including reasonable attorney fees) arising out of or in connection with any act or omission of Sublandlord during Sublandlord's use of the Licensed Area.

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

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

SUBLANDLORD:

Alexander & Alexander Consulting Group, Inc.,  
a New Jersey corporation

By: /s/ Jerome S. Hanner

-----

Jerome S. Hanner  
Its: Vice President

SUBTENANT:

The Movado Group, Inc.  
a New York Corporation

By: /s/ E. Grinberg

-----

E. Grinberg  
Its: President

## SECOND AMENDMENT OF LEASE

SECOND AMENDMENT OF LEASE dated as of December 28, 1993 between MEADOWLANDS ASSOCIATES, a New Jersey limited partnership, having an address c/o Bellemead Management Co., Inc., 4 Becker Farm Road, Roseland, New Jersey 07068 (hereinafter called "Landlord") and ALEXANDER & ALEXANDER CONSULTING GROUP, INC., a New Jersey corporation having an address at 125 Chubb Avenue, Lyndhurst, New Jersey 07071 (hereinafter called "Tenant").

## W I T N E S S E T H:

## WHEREAS:

A. Landlord and Tenant heretofore entered into a certain lease dated October 7, 1986, as modified pursuant to a certain First Amendment of Lease dated October 27, 1986 (said lease, as the same may be amended from time to time, is hereinafter called the "Lease") with respect to premises on the second (2nd) and fifth (5th) floors (the "Original Premises") of that certain office building ("Building") known as and located at 125 Chubb Avenue, Lyndhurst, New Jersey;

B. Tenant is desirous of increasing the size of the Demised Premises by the addition of some 17,862 rentable square feet ("Additional Space") on the fifth (5th) floor of the Building; and

C. The parties hereto desire to further modify the Lease in certain respects.

NOW THEREFORE, in consideration of the premises and mutual covenants hereinafter contained, the parties hereto modify said Lease as follows:

1. All terms contained in this Second Amendment of Lease that are defined in the Lease, shall, for the purposes hereof, have the same meaning ascribed to them in the Lease.

2. Notwithstanding anything to the contrary contained in the Lease, the term for the Additional Space only shall commence on the Additional Space Commencement Date (as hereinafter defined) and shall terminate on a date which is five (5) years after the Additional space Commencement Date (the "Additional Space



Termination Date"). Landlord shall deliver to Tenant a notice ("Additional Space Commencement Notice") confirming, among other things, the Additional Space Termination Date. Tenant shall acknowledge receipt of the Additional Space Commencement Notice by signing a copy of same and returning it to Landlord within five (5) days after Tenant's receipt thereof. For the purposes hereof, the period commencing on the Additional Space Commencement Date and ending on the Additional Space Termination Date shall be referred to as the "Additional Space Term".

3. The Demised Premises shall be expanded to incorporate the Additional Space on or about May 1, 1994 (the "Estimated Additional Space Commencement Date"). Notwithstanding the above, the Additional Space commencement date (the "Additional Space Commencement Date") shall be the date upon which the work required to be performed by the Landlord pursuant to the Work Letter attached hereto as Schedule A (the "Additional Space Work") shall be substantially completed. The Additional Space Work shall be deemed to be substantially completed for all purposes hereunder, on the date upon which:

(i) Landlord has procured a temporary or permanent Certificate of Occupancy, permitting occupancy of the Additional Space by the Tenant; and (ii) The Landlord's architects shall have certified that Landlord has substantially performed the Additional Space Work. Substantial completion shall be deemed to have occurred even though minor details of work remain to be done, provided such details do not materially interfere with the Tenant's use of the Additional Space, subject to Tenant's punch-list items which Landlord agrees to complete within a reasonable time period and if possible, within thirty (30) days from the date of request.

Notwithstanding anything to the contrary contained herein, Tenant's obligation to pay Minimum Rent for the Additional Space shall commence on May 1, 1994 (the "Additional Space Rent Commencement Date", subject only to Landlord Delays and Force Majeure Events (as such terms are hereinafter defined in Paragraph 8 hereof)).

As of the Additional Space Commencement Date, Exhibit A (Rental Plan) to the Lease shall be modified by incorporating the attached Schedule B so that the Rental Plan to the Lease shall consist of the original Exhibit A and the attached Schedule B.

4. A] The Lease is hereby amended to provide that Tenant shall pay an annual Minimum Rent for the Additional Space only as follows:

THREE HUNDRED THIRTY THOUSAND FOUR HUNDRED FORTY SEVEN AND 00/100 DOLLARS (\$330,447.00) for the period commencing on the Additional Space Commencement Date and ending on the Additional Space Termination Date, payable in advance on the first day of each calendar month in equal monthly installments of TWENTY SEVEN THOUSAND FIVE HUNDRED THIRTY SEVEN AND 25/100 DOLLARS (\$27,537.25).

B] In addition to the Minimum Rent for the Additional Space described above, Tenant shall pay to Landlord during each month of the Additional Space Term the sum of FIVE THOUSAND FIVE HUNDRED SIXTY ONE AND 79/100 DOLLARS (\$5,561.79) (the "Construction Reimbursement"), payable in advance on the first day of each calendar month commencing on the Additional Space Commencement Date and ending on the Additional Space Termination Date.

The Construction Reimbursement described in this paragraph 4 B] represents the repayment of the Additional Construction Credit (as hereinafter defined) over the Additional Space Term at an interest rate of nine percent (9%). Failure to pay all or any portion of the Construction Reimbursement shall entitle Landlord to the same rights and remedies as may be imposed for failure to pay Minimum Rent hereunder.

C] Tenant shall continue to pay the Adjusted Minimum Rent for the Original Premises in accordance with the terms of the Lease.

5. At all times during the Additional Space Term, Section 36.2 of the Lease shall be modified to provide that the Demised Premises shall contain 74,273 square feet and that the Occupance Percentage shall be 26.67%.

6. Section 36.1 (3) and (4) of the Lease shall be modified so that the First Operating Year and the First Tax Year for the Additional Space only shall mean the calendar year ending December 31, 1994.

7. At all times during the Additional Space Term, Section 43.1 of the Lease shall be modified so that Tenant's License for Allotted Parking shall be for two hundred three (203) cars.

8. Tenant agrees that it shall either approve Landlord's drawings for the Additional Space or provide to Landlord on or before January 31, 1994, such drawings and specifications required by Landlord for Tenant's layout, partitioning, electrical, reflecting ceiling and other installations for the approval and acceptance of Landlord. Landlord shall furnish and install in accordance with such drawings, so much of the work required by Tenant by the above drawings as allowed by a construction credit to Tenant of \$357,240.00 (the "Construction Credit"). In addition to the Construction Credit, Landlord shall provide to Tenant an additional construction credit of \$267,930.00 (the "Additional Construction Credit") to be applied towards any additional work that Tenant requires in the Additional Space. To the extent Tenant's drawings require work, the cost of which exceeds the Construction Credit and the Additional Construction Credit, such work shall be reduced to an "Extra" or "Change Order" to be executed by both Landlord and Tenant, which shall indicate the work required, the cost thereof to be paid by Tenant, and the additional time required, if any, for completion. The portion, if any, of the Construction Credit that remains not designated for expenditure as of the Additional Space Commencement Date shall be forever forfeited. If any portion of the Additional Construction Credit is not utilized, the Construction Reimbursement described in Paragraph 4 (B) hereof shall be modified to reflect the actual sums expended. Tenant shall be responsible for any delays in completing the Additional Space by reason of Tenant's failure to cooperate with Landlord, Tenant's delays in submitting any drawings or specifications, or in supplying information, or in approving drawings, specifications or estimates, or in giving authorizations, or by reason of any changes by Tenant in any designations previously made by Tenant, or by reason of any similar acts or omissions of Tenant ("Tenant Delays"). Landlord shall be responsible for any delays in completing the Additional Space by reason of Landlord's failure to cooperate with Tenant, Landlord's failure to construct the Additional Space within a reasonable time

frame or by reason of any similar acts or omissions of Landlord ("Landlord Delays"). Any other cause or factor beyond the reasonable control of Landlord or tenant, including but not limited to strikes or other labor disputes, accidents, orders or regulations of any federal, state, county or municipal authority, delays due to adjustment of insurance claims, lack of availability of materials, parts or services, acts of God, fire, earthquake, floods, explosion, action of the elements, war, hostilities, invasion, insurrection, riot, mob violence, sabotage or any other similar cause that is beyond the reasonable control of Landlord or Tenant shall be deemed to be force majeure ("Force Majeure Events").

9. Landlord agrees that for each trade to be subcontracted out in connection with Landlord's construction of the Additional Space (except for demolition, general drywall construction, carpeting and ceiling repair), Landlord shall request bids from no fewer than three (3) subcontractors. In addition, Landlord's profit derived from the construction of the Additional Space shall be limited to the compounded sum of general conditions equal to 6% of the total cost to prepare the Additional Space for Tenant's occupancy, overhead equal to 5% of the total cost to prepare the Additional Space for Tenant's occupancy and profit equal to 5% of the total cost to prepare the Additional Space for Tenant's occupancy. Tenant may, upon request review any of the subcontractor's bids in connection with the construction of the Additional Space.

10. Tenant covenants, represents and warrants that no real estate broker other than La Salle Partners (the "Broker") is responsible for bringing about or negotiating this Second Amendment of Lease and Tenant has not dealt with any broker other than the Broker in connection with the consummation of this Second Amendment of Lease. Landlord represents and warrants that Landlord has not dealt with any broker (other than the Broker) in connection with the consummation of this Second Amendment of Lease. In accordance with the foregoing representation, Tenant and Landlord each

covenants and agrees to pay, defend, hold harmless and indemnify the other and its directors, officers, partners, and their affiliates and/or subsidiaries from and against any and all cost, expenses, including attorney's fees (in settlement, at trial or on appeal), court costs and disbursements or liability for any commission or other compensation claimed by any broker or agent acting through or on behalf of Tenant or Landlord other than the Broker with respect to this Second Amendment of Lease.

11. As of the date hereof, the following provision shall be applicable to the Additional Space:

RENEWAL OPTION FOR ADDITIONAL SPACE

"11.1 Subject to the provisions of Section 11.2 below, Tenant shall have the option to renew this Lease with respect to the Additional Space only for an additional term commencing as of the date immediately following the Additional Space Term and continuing through April 30, 2002 (the "Additional Space Renewal Term"). The terms, covenants and conditions during the Additional Space Term, including but not limited to the definitions of the First Tax Year and First Operating Year as set forth in Paragraph 6 hereof, shall be projected and carried over into the Additional Space Renewal Term, except as specifically set forth hereinafter.

(a) The Minimum Rent during the Additional Space Renewal Term shall be the greater of (i) Market Rent (as defined in clause (b) below) or (ii) the Adjusted Minimum Rent for the Additional Space as of the last day of the Additional Space Term.

(b) "Market Rent" shall mean the fair market rent for the Additional Space, as of the commencement date of the Additional Space Renewal Term (the "Determination Date"), based upon the rents generally in effect for comparable office space in the area in which the Real Estate is located. Market Rent (for the purposes of determining the Minimum Rent only during the Renewal Term) shall be determined on what is commonly known as "gross" basis; that is, in computing Market Rent, it shall be assumed that all real estate taxes and expenses for customary services are included in such Market Rent and are not passed through to the Tenant as separate additional charges. Notwithstanding the foregoing, the Minimum Rent for the Renewal Term shall be thereafter increased from time to time as provided in this Lease and the First Tax Year and First Operating Year for the Additional Space Renewal Term shall be defined as provided in Paragraph 6 hereof.

(c) Landlord shall notify Tenant ("Landlord's Determination Notice") of Landlord's determination of the Market Rent within sixty (60) days of the Determination Date. If Tenant disagrees with Landlord's determination, Tenant shall notify Landlord ("Tenant's Notice of Disagreement") within fifteen (15) days of receipt of Landlord's Determination Notice. Time shall be of the essence with respect to Tenant's Notice of Disagreement, and the failure of Tenant to give such notice within the time period set forth above shall conclusively be deemed an acceptance by Tenant of the Market Rent as determined by Landlord and a waiver by Tenant of any right to dispute such Market Rent. If Tenant timely gives its Tenant's Notice of Disagreement, then the Market Rent shall be determined as follows: Landlord and Tenant shall, within thirty (30) days of the date on which Tenant's Notice of Disagreement was given, each appoint an Appraiser (hereinafter

defined) for the purpose of determining the Market Rent. An Appraiser shall mean a duly qualified impartial real estate appraiser having at least ten (10) years' experience in the area in which the Additional Space is located. In the event that the two (2) Appraisers so appointed fail to agree as to the Market Rent within a period of thirty (30) days after the appointment of the second Appraiser, such two (2) Appraisers shall forthwith appoint a third Appraiser who shall make a determination within thirty (30) days thereafter. If such two Appraisers fail to agree upon such third Appraiser within ten (10) days following the last thirty (30) day period, such third Appraiser shall be appointed by a presiding Judge of the Superior Court of the State of New Jersey for the County in which the Real Estate is located. Such two (2) Appraisers or three (3) Appraisers, as the case may be, shall proceed with all reasonable dispatch to determine the Market Rent for the Additional Space. The decision of such Appraisers shall be final; such decision shall be in writing and a copy shall be delivered simultaneously to Landlord and to Tenant. If such Appraisers fail to deliver their decision as set forth above prior to the commencement of the Additional Space Renewal Term, Tenant shall pay Landlord the Adjusted Minimum Rent with respect to the Additional Space at the rate as of the last day of the Additional Space Term, until such decision is so delivered. If the Market Rent as determined above is in excess of the actual rent paid, then Tenant, upon demand, shall pay to Landlord the difference between the actual rent paid and the Market Rent from the commencement of the Additional Space Renewal Term. Landlord and Tenant shall each be responsible for and shall pay the fee of the Appraiser appointed by them respectively, and Landlord and Tenant shall share equally the fee of the third Appraiser. Promptly upon determination of the Market Rent, Tenant shall execute and deliver a Lease amendment prepared by Landlord setting forth the terms of the Additional Space Renewal Term.

11.2 Tenant's option to renew for the Additional Space Renewal Term, as provided in Section 11.1 above, shall be strictly conditioned upon and subject to each of the following:

(a) Tenant shall notify Landlord in writing of Tenant's exercise of its option to renew at least nine (9) months, but not more than twelve (12) months, prior to the expiration of the Additional Space Term;

(b) At the time Landlord receives Tenant's notice as provided in (a) above, and at the expiration of the Additional Space Term, Tenant shall not have been in default under the terms or provisions of this Lease and the Tenant shall not have subleased any portion of the Additional Space;

(c) It is the intention of the parties hereto that the Additional Space Renewal Term shall be co-terminous with the expiration date of the Lease with respect to the balance of the Demised Premises. Accordingly, so long as the renewal option for the Additional Space Term is exercised by Tenant, the Additional Space shall be deemed part of the Demised Premises for the purposes of Tenant's right to renew the Lease for the Removal Term described in Section 60.1 of the Lease. Except as provided herein and in Section 60.1 of the Lease, Tenant shall have no further renewal options with respect to the Additional Space or the Demised Premises;

(d) This option to renew shall be deemed personal to the Tenant named on the first and last page of this Lease and may not be assigned;

(e) Landlord shall have no obligation to do any work or perform any services for the Additional Space Renewal Term with respect to the Additional Space, the Demised Premises or the Building which Tenant agrees to accept in their then "as is" condition; and

(f) No later than ten (10) days prior to the commencement of the Additional Space Renewal Term, Tenant shall deposit with Landlord such additional sums as may be required to increase any security deposit then held by Landlord proportionate to the increase in the Minimum Rent.

12. Except as modified by this Second Amendment of Lease, the Lease and all covenants, agreements, terms and conditions thereof shall remain in full force and effect and are hereby in all respects ratified and confirmed. The terms and provisions of the Lease, as modified hereby, shall govern the Tenant's occupancy and use of the Demised Premises as increased by the Additional Space.

13. Tenant represents that the undersigned officer representative of Tenant has been duly authorized on behalf of Tenant to enter into this Second Amendment of Lease in accordance with the terms, covenants and conditions set forth herein, and, upon Landlord's request, Tenant shall deliver appropriate evidence of the accuracy of the foregoing representation.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment of Lease as of the day and year first above written.

Signed, sealed and delivered

LANDLORD:

IN THE PRESENCE OF OR  
ATTESTED BY:

MEADOWLANDS ASSOCIATES  
By: ARC Meadowlands Associates,  
General Partner

By: ARC Meadowlands, Inc.,  
General Partner

By: /s/ Michael Futterman

-----  
Michael Futterman  
President

TENANT:

ALEXANDER & ALEXANDER  
CONSULTING GROUP, INC.

By: /s/ D.L. Sedes

-----  
Name: \_\_\_\_\_  
-----  
(Please Print)  
Title: Corporate (Assistant)  
Secretary

-----  
Name: /s/ D.L. Sedes  
-----  
(Please Print)  
Title: /s/ President & CEO  
-----  
(Please Print)



The undersigned hereby reaffirms and reacknowledges that the certain Guaranty dated October 7, 1986 from Alexander & Alexander Services, Inc. to Meadowlands Associates applies with equal force and effect to the Additional Space described herein.

ALEXANDER & ALEXANDER SERVICES, INC.

By: /s/ R.A. Kershaw  
-----

The undersigned hereby reaffirms and reacknowledges that the certain Guaranty dated October 7, 1986 from Alexander & Alexander, Inc. to Meadowlands Associates applies with equal force and effect to the Additional Space described herein.

ALEXANDER & ALEXANDER INC.

By: /s/ R.A. Kershaw  
-----

SCHEDULE A

(Additional Space Work)

To be mutually agreed upon at a later date, based upon plans and specifications prepared by Tenant pursuant to Paragraph 8 hereof.

## SHORT TERM LEASE

The Landlord and Tenant agree that Tenant shall lease the Rental Space for the Term and at the Rent stated, as follows: (The words Landlord and Tenant include all landlords and all tenants under this Lease.)

Landlord: MEADOWLANDS ASSOCIATES, a New Jersey limited partnership, having an office c/o Bellemead Management Co., Inc., Four Becker Farm Road, Roseland, New Jersey 07068

Tenant: ALEXANDER & ALEXANDER CONSULTING GROUP, INC., a New Jersey corporation, having an address at 125 Chubb Avenue, Lyndhurst, New Jersey 07071

Rental Space: A portion of the fifth (5th) floor consisting of 8,500 rentable square feet, and more particularly shown on the Rental Plan annexed hereto as Exhibit A.

Building: 125 Chubb Avenue, Lyndhurst, New Jersey

Date of Lease: As of January 1, 1994

Rent: The per annum base rent ("Rent" or "rent") for the Rental Space shall be ONE HUNDRED FIFTY SEVEN THOUSAND TWO HUNDRED FIFTY AND 00/100 DOLLARS (\$157,250.00) payable in advance on the first (1st) day of each calendar month in equal monthly installments of THIRTEEN THOUSAND ONE HUNDRED FOUR AND 17/100 DOLLARS (\$13,104.17).

Term: January 1, 1994 ("Beginning of the Term") - Termination Date (hereinafter defined in Section 30)

Security: None

Broker: Tenant represents that no real estate broker is responsible for bringing about, or negotiating this Lease and that Tenant has not dealt with any other broker in connection with the Rental Space. In accordance with the foregoing representation, Tenant agrees to defend, indemnify and hold harmless Landlord, its affiliates and/or subsidiaries, partners and officers from any expense or liability (including attorney's fees) arising out of any claim for commission by any broker claiming or alleging to have acted on behalf of or to have dealt with Tenant.

Insurance: Minimum amount:  
\$1,000,000.00 for each person injured; \$1,000,000.00 for any one accident; and \$1,000,000.00 for property damage

Municipal Real Estate Tax

Base Year: N/A

Base Year: N/A

Percent of Increase: N/A

Use of Rental Space: general, executive and administrative offices and for no other purpose.

## 1. POSSESSION AND USE

The Landlord shall give possession of the Rental Space to the Tenant for the Term. The Tenant shall take possession of and use the Rental Space for the purpose stated above. The Tenant may not use the Rental Space for any other purpose without the written consent of the Landlord.

The Tenant shall not allow the Rental Space to be used for any unlawful or hazardous purpose. The Tenant is satisfied that the Rental Space is zoned for the Use stated. Landlord shall obtain any necessary certificate of occupancy or other certificate permitting the Tenant to use the Rental Space for that Use.

The Tenant shall not use the Rental Space in any manner that results in (1) an increase in the rate of fire or liability insurance or (2) cancellation of any fire or liability insurance policy on the Rental Space. The Tenant shall comply with all requirements of the insurance companies insuring the Rental Space. The Tenant shall not abandon the Rental Space during the Term of this Lease or permit it to become vacant.

## 2. NO ASSIGNMENT OR SUBLETTING

The Tenant may not do any of the following without the Landlord's written consent: (a) assign this lease (if the Tenant is a corporation, the sale of the majority of its common shares shall be treated as an assignment), (b) sublet all or any part of the Rental Space or (c) permit any other person or business to use the Rental Space. Landlord may withhold consent at its sole discretion.

## 3. RENT AND ADDITIONAL RENT

Tenant shall pay the rent to the Landlord at the Landlord's address. If the Tenant fails to comply with any agreement in this Lease, the Landlord may do so on behalf of the Tenant. The Landlord may charge the cost to comply, including attorney's fees, to the Tenant as "additional rent". The additional rent shall be due and payable upon Landlord's demand. Non-payment of additional rent shall give Landlord the same rights against the Tenant as if the Tenant failed to pay Rent.

## 4. SECURITY

N/A

## 5. LIABILITY INSURANCE

The Tenant shall obtain, pay for, and keep in effect for the benefit of the Landlord and the Tenant public liability insurance on the Rental Space in an amount no less than \$1,000,000.00. The insurance company must be financially reputable in the sole judgment of Landlord. This coverage must be in the minimum amounts stated above.

All policies shall state that the insurance company cannot cancel or refuse to renew without at least 30 days written notice to the Landlord.

The Tenant shall deliver the original insurance policy or a certificate thereof to the Landlord with proof of payment of the first year's premium. This shall be done not less than 5 days before the Beginning of the Term. The Tenant shall deliver a renewal policy or a certificate thereof to the Landlord with proof of payment not less than 5 days before the expiration date each policy.

## 6. UNAVAILABILITY OF FIRE INSURANCE, RATE INCREASES

If due to the Tenant's use of the Rental Space the Landlord cannot obtain fire insurance on the Building in an amount and form acceptable to the Landlord, the Landlord may cancel this Lease on 10 days notice to the Tenant. If due to the Tenant's use of the Rental Space the fire insurance rate is increased, the Tenant shall pay the increase in the premium to the Landlord on demand.

## 7. WATER DAMAGE

The Landlord shall not be liable for any damage or injury to any person property caused by the leak or flow of water from or into any part of the Building.

## 8. LIABILITY OF LANDLORD AND TENANT

The Landlord shall not be liable for injury or damage to any person or property unless it is due to the Landlord's willful misconduct or gross negligence. The Tenant shall defend the Landlord from and reimburse the Landlord for all liability and cost resulting from any injury or damage due to the act or neglect of the Tenant or the guests, including attorneys fees and expenses.

9. REAL ESTATE TAXES

N/A

10. ACCEPTANCE OF RENTAL SPACE

The Tenant has inspected the Rental Space and agrees that the Rental Space is in satisfactory condition. The Tenant accepts the Rental Space "as is". Tenant acknowledges that neither Landlord nor any of its employees or agents has made any representation concerning the condition of the Rental Space.

11. QUIET ENJOYMENT

The Landlord has the right to enter into this Lease. If the Tenant complies with this Lease, the Landlord must provide the Tenant with undisturbed possession of the Rental Space, subject to any mortgage or ground leases.

12. UTILITIES AND SERVICES

There shall be no separate charge to Tenant for any utilities and service required for the Rental Space.

The Landlord is not liable for any stoppage or reduction of utilities and services beyond the reasonable control of the Landlord. This does not excuse the Tenant from paying rent and additional rent.

13. TENANT'S REPAIRS, MAINTENANCE AND COMPLIANCE

The Tenant shall:

(a) Promptly comply with all laws, orders, rules and requirements of governmental authorities, insurance carriers, board of fire underwriters, or similar groups.

(b) Maintain the Rental Space and all equipment and fixtures in it in good repair

and appearance.

(c) Make all necessary repairs to the Rental Space and all equipment and fixtures in it.

(d) Maintain the Rental Space in neat, clean, safe and sanitary condition free of all garbage.

(e) Keep the walks, driveway, parking area, yard, entrances, hallways and stairs clean and free from trash and debris, snow and ice.

(f) Use all electric, plumbing and other facilities in the Rental Space safely.

(g) Use no more electricity than the wiring or feeders to the Rental Space can safely carry.

(h) Replace all broken glass in the Rental Space.

(i) Do nothing to destroy, deface, damage or remove any part of the Rental Space.

(j) Keep no inflammable or dangerous things in the Rental Space.

(k) Promptly notify the Landlord when there are conditions which need repair.

(l) Do nothing to destroy the peace and quiet of the Landlord, other tenants, or persons in the neighborhood.

The Tenant shall pay any expenses involved in complying with the above.

#### 14. LANDLORD'S REPAIRS AND MAINTENANCE

The Landlord shall:

(a) Maintain the public areas, roof and exterior walls in good condition.

(b) Make all structural repairs unless these repairs are made necessary by the act or neglect of the Tenant or the Tenant's employees, or their invitees.

(c) Make necessary replacements of the plumbing, cooling, heating and electrical systems, except when made necessary by the act or neglect of the Tenant or the Tenant's employees, or their invitees.

(d) Maintain the elevators in the Building, if any.

#### 15. NO ALTERATIONS

The Tenant may not make any changes or additions to the Rental Space without the Landlord's written consent. Any changes or additions made without the Landlord's written consent shall be removed by the Tenant on demand. Landlord may withhold consent at its sole discretion.

All changes or additions made with the Landlord's written consent shall become the property of the Landlord when completed and paid for by the Tenant. They shall remain as part of the Rental Space at the end of the Term. The Landlord may demand that the Tenant remove any changes or additions at the end of the Term. The Tenant shall promptly pay for all costs of any changes or additions. The Tenant shall not allow any mechanic's lien or other claim to be filed against the Building. If any lien or claim is filed against the Building, the Tenant shall have it promptly removed.

#### 16. SIGNS

The Tenant shall obtain the Landlord's written consent before placing any sign on or about the Rental Space. Signs must conform with all applicable municipal ordinances and regulations. Landlord may withhold consent in its sole discretion.

#### 17. ACCESS TO RENTAL SPACE

The Landlord shall have access to the Rental Space on reasonable oral or written notification to the Tenant to (a) inspect the Rental Space, (b) make necessary repairs, alterations or improvements, (c) supply services, and (d) show it to prospective buyers, mortgage lenders, contractors or insurers.

The Landlord may show the Rental Space to rental applicants at reasonable hours on reasonable oral or written notification to the Tenant.

The Landlord may enter the Rental Space at any time without notice to the Tenant in case of emergency.

18. FIRE AND OTHER CASUALTY

The Tenant is liable for the acts and neglect of the Tenant's employees, or their invitees.

The Tenant shall notify the Landlord at once of any fire or other casualty in the Rental Space. The Tenant is not required to pay rent when the Rental Space is unusable. If part of the Rental Space can be used, the Tenant must pay rent prorata for the usable part. If the fire or other casualty is caused by the act or neglect of the Tenant, the Tenant shall pay for all repairs and all other damage.

If the Rental Space is partially damaged by fire or other casualty without the act or neglect of the Tenant, the Landlord shall repair it as soon as possible. This includes the damage to the Rental Space and fixtures installed by the Landlord. The Landlord need not repair or replace anything installed by the Tenant.

Either party may cancel this Lease if the Rental Space is so damaged by fire or other casualty that it cannot be repaired within 180 days. If the parties cannot agree, the opinion of a contractor chosen by the Landlord and the Tenant will be binding on both parties. The Tenant may not cancel this Lease if the fire or other casualty is caused by the act or neglect of the Tenant.

This Lease shall end if the Rental Space is totally destroyed by fire or other casualty without the act or neglect of the Tenant. The Rent shall be paid to the date of destruction.

19. EMINENT DOMAIN

Eminent domain is the right of a government to lawfully condemn and take private property for public use. Fair value must be paid for the property. The taking occurs either by court order or by deed to the condemning party. If any part of the Rental Space is taken by eminent domain, either party may cancel this Lease on 30 days notice to the other. The entire payment for the taking shall belong to the Landlord. The Tenant shall make no claim for the value of the remaining part of the

Term.

## 20. SUBORDINATION TO MORTGAGE

In a foreclosure sale all mortgages or ground leases which now or in the future affect the Building have priority over this Lease. This means that the holder of a mortgage or ground lease may end this Lease on a foreclosure sale.

The Tenant shall sign all papers needed to give any mortgage or ground lease priority over this Lease. If the Tenant refuses, the Landlord may sign the papers on behalf of the Tenant.

## 21. TENANT'S CERTIFICATE

At the request of the Landlord, the Tenant shall sign a certificate stating that (a) this Lease has not been amended and is in effect, (b) the Landlord has fully performed all of the Landlord's agreements in this Lease, (c) the Tenant has no rights to the Rental Space except as stated in this Lease and (d) the Tenant has paid all Rent to date. The Certificate shall also list all the property attached to the Rental Space owned by the Tenant.

## 22. VIOLATION, EVICTION, RE-ENTRY AND DAMAGES

If the Tenant violates any agreement in this Lease, the Landlord has the right to end this Lease and re-enter the Rental Space. If the Rental Space becomes vacant, empty or abandoned or if Tenant shall have removed all or substantially all of Tenant's property therefrom, the Landlord has the right to end this Lease and re-enter the Rental Space. This is done by eviction. The Landlord may also evict the Tenant for all other causes provided by law. Eviction is a court procedure to remove a tenant. It is started by the filing of a complaint in court and the service of a summons on a tenant to appear in court. After a court order of eviction and compliance with the warrant of removal, the Landlord may re-enter and take back possession of the Rental Space. If the cause for eviction is non-payment of additional rent, notice does not have to be given to the Tenant before the Landlord files a complaint. If there is any other cause to evict, the Landlord must give to the Tenant the notice required by law before the Landlord files a complaint.

The Tenant is liable for all damages caused by the Tenant's violation of any agreement in this Lease. This includes lost future rents, attorney's fees and costs.

After eviction the Tenant shall pay all rent due for the balance of the Term. If the Landlord re-rents the Rental Space for less than the Tenant's Rent, the Tenant shall pay the difference until the end of the Term. The Tenant shall not be entitled to any excess resulting from the re-renting. The Tenant shall also pay (a) all expenses incurred by the Landlord in preparing the Rental Space for re-renting and (b) commissions paid to a broker for obtaining a new tenant.

## 23. NOTICES

All notices given under this Lease must be in writing. Unless otherwise provided by law, they may be given by (a) personal delivery, or (b) certified mail, return receipt requested. Each party must accept the certified mail sent by the other. Notices shall be addressed to the Landlord at the address written at the beginning of this Lease and to the Tenant at the Rental Space.

## 24. NO WAIVER

The Landlord's failure to enforce an agreement in this Lease does not prevent the Landlord from enforcing the agreement as to any later violations.

## 25. SURVIVAL

If any agreement in this Lease is contrary to law, the rest of the Lease shall remain in effect.

## 26. END OF TERM

At the end of the Term the Tenant shall (a) leave the Rental Space clean, (b) remove all of the Tenant's property, (c) remove all signs and restore that portion of the Rental Space on which they were placed, (d) repair all damage caused by moving, and (e) return the Rental Space to the Landlord in the same condition as it was at the Beginning of the Term.

If the Tenant leaves any property in the Rental Space, the Landlord may (a) dispose of it and charge the Tenant for the cost of disposal, or (b) keep it as abandoned property.

## 27. BINDING

This Lease binds the Landlord and the Tenant and all parties who lawfully succeed to their rights or take their places.



28. FULL AGREEMENT

The parties have read this Lease. It contains their full agreement. It may not be changed except in writing signed by the Landlord and the Tenant.

29. LIMITATION OF LANDLORD'S LIABILITY

Notwithstanding anything to the contrary herein provided, each and every term, covenant, condition and provision of this Lease is hereby made specifically subject to the provisions of this Section 29. The term "Landlord" as used in this Lease means only the owner or lessor for the time being of the Building, so that in the event of any conveyance of such interest and the transfer to the transferee of any funds then being held under this Lease by such owner, Landlord shall be and hereby is entirely freed and relieved of any and all obligations of Landlord hereunder thereafter accruing, and it shall be deemed without further agreement between the parties and such grantee(s) that the grantee has assumed and agreed to observe and perform all obligations of Landlord hereunder. It is specifically understood and agreed that notwithstanding anything to the contrary herein provided or otherwise provided at law or in equity, there shall be absolutely no personal liability in excess of its interest in the Building to the Landlord or any successor in interest thereto (whether the same be an individual, firm or partnership, general, limited joint venture, tenancy in common, or otherwise) or on the part of the members of any firm, partnership or joint venture or any other unincorporated Landlord with respect to any of the terms, covenants and/or conditions of this Lease. In the event of a breach or default by Landlord, or any successor in interest, thereof, of any of its obligations under this Lease, Tenant shall look solely to the then landlord for

the satisfaction of each and every remedy of Tenant, such exculpation of personal and additional liability which is in excess of such interest in the Building to be absolute and without any exception whatsoever.

30. TERMINATION

Tenant acknowledges and agrees that Landlord has entered into this Lease as an accommodation to Tenant in connection with Tenant's execution of a second amendment of lease for 17,862 rentable square feet of space on the fifth (5th) floor of the Building (the "Additional Space Lease Amendment"). The term of this Lease shall end ("Termination Date") on the earlier of (i) July 1, 1994 or (ii) the date designated as the Additional Space Commencement Date (as such term is defined in the Additional Space Lease Amendment). Tenant shall vacate and surrender the Rental Space on or before the Termination Date in accordance with Section 26 of this Lease.

31. SURRENDER

Tenant acknowledges that time is of the essence with respect to Tenant's surrender, vacating, and removal from the Rental Space on or before the Termination Date. Tenant shall be liable for all damages, costs and expenses, including but not limited to attorney's fees, court costs and disbursements in settlement, at trial and on appeal, incurred or suffered by Landlord as a result of Tenant's failure to surrender, vacate and remove from the Rental Space on or before the Termination Date. Nothing contained in this Section 31 should in any way be deemed or construed to limit Landlord's rights pursuant to Section 22 of the Lease.

32. FAILURE TO GIVE POSSESSION

If Landlord is unable to gain possession of the Rental Space at Beginning of the Term because of holding-over or retention of possession any tenant, undertenant or occupants because of the fact that a certificate occupancy has not been procured or for other reason, Landlord shall not be subject to any liability for failure to gain possession on the Beginning of the Term the validity of the Lease shall not be impaired under such circumstances, nor should the same be construed in any wise to extend the Term of this Lease, but the rent payable hereunder shall be abated (provided Tenant is not responsible for Landlord's inability to obtain possession) until after Landlord shall have given Tenant written notice that the Rental Space is substantially ready for Tenant's occupancy. If permission is given to Tenant to enter into the possession of the Rental Space or to occupy premises other than the Rental Space prior to the Beginning of the Term, Tenant covenants and agrees that such occupancy shall be deemed to under all the terms, covenants, conditions and provisions of this Lease.

IN WITNESS WHEREOF, Landlord has signed this Lease and Tenant by its proper corporate officers, has signed this Lease as of the 28th day of December, 1993.

ATTESTED BY:

Landlord:  
MEADOWLANDS ASSOCIATES  
By: ARC Meadowlands Associates,  
General Partner  
By: ARC Meadowlands, Inc.,  
General Partner

By: /s/ Michael Futterman  
-----  
Michael Futterman, President

ATTESTED BY:

Tenant:  
  
ALEXANDER & ALEXANDER CONSULTING  
GROUP, INC.

By: /s/ D.L. Secles  
-----  
Name: D.L. Secles  
-----  
(Please Print)  
Title: President & CEO  
-----  
(Please Print)

Name:  
-----  
(Please Print)  
Title: Corporate (Assistant)  
Secretary

Exhibit "A"

Rental Plan

## EXHIBIT A

## STANDARD FORM OF OFFICE LEASE

AGREEMENTS OF LEASE, made as of this 7th day of October , 1986, between MEADOWLANDS ASSOCIATES, a New Jersey limited partnership, having an office c/o Bellemead Management Co., Inc., 4 Becker Farm Road, Roseland, New Jersey 07068 (the "Landlord"), and ALEXANDER & ALEXANDER CONSULTING GROUP INC., a New Jersey corporation, having an address at 22-08 Route 208, Fairlawn, New Jersey 07410 (the "Tenant").

WITNESSETH: Landlord hereby leases to Tenant and Tenant hereby hires from Landlord the entire north wing of the second floor and the entire north wing of the fifth floor of a certain office building located at 125 Chubb Avenue, Lyndhurst, New Jersey (the second floor space and the fifth floor space, collectively, the "Premises" or "Demised Premises"), more particularly shown upon the scaled Rental Plan annexed hereto and made a part thereof as Exhibit "A", for a term commencing and terminating as set forth in Article 37 of the Rider to Lease.

The minimum rent (the "Minimum Rent") for the Premises shall be payable on the first day of each calendar month during the term of this lease as follows:

A. During the period commencing on the Commencement Date (as defined in Article 37 below) and ending on the date immediately preceding the fifth anniversary of the Commencement Date, Minimum Rent shall be One Million Two Hundred Forty-one Thousand Seven Hundred Two Dollars (\$1,241,702.00) per annum, payable in equal monthly installments of One Hundreds Three Thousand Four Hundred Seventy-five Dollars and Seventeen Cents (\$103,475.17) in advance on the first day of each calendar month.

B. During the period commencing on the fifth anniversary of the Commencement Date and ending on the date immediately preceding the tenth anniversary of the Commencement Date, Minimum Rent shall be One Million Five Hundred Fifty-two Thousand One Hundred Twenty-seven Dollars and Fifty Cents (\$1,552,127.50) per annum, payable in equal monthly installments of One Hundred Twenty-nine Thousand Three Hundred Forty-three Dollars and Ninety-six Cents (\$129,343.96) in advance on the first day of each calendar month.

C. During the period commencing on the tenth anniversary of the Commencement Date and ending on the Termination Date (as defined in Article 37 below), Minimum Rent shall be the greater of (i) Market Rent, to be determined as set forth in Section 60.1(b), below (except that, for purposes of this rent period, the Determination Date for the Market Rent shall be 180 days prior to the tenth anniversary of the Commencement Date, rather than 180 days prior to the expiration of the Initial Term) or (ii) the Adjusted Minimum Rent as of the date immediately preceding the tenth anniversary of the Commencement Date including any increase in Taxes or Building Operating Costs for the calendar year in which this rent period commences which have not yet been factored into Adjusted Minimum Rent.

Rent for any partial month at the commencement or termination of the term of this Lease shall be appropriately prorated.

Installments of Minimum Rent payable hereunder shall be paid at the office of Landlord or at such other place as Landlord may designate from time to time by written notice to Tenant hereunder.

The parties hereto, for themselves, their heirs, distributees, executors, administrators, legal representatives, successors and assigns, hereby covenant as follows:

REAL OCCUPANCY

1. Tenant shall pay the rent as above and as hereinafter provided.

2. Tenant shall use and occupy demised premises for executive, sales and administrative offices, including accessory computer space and for no other purpose.

ALTERATIONS:

1. Tenant shall make no changes in or to the demised premises of any nature without Landlord's prior written consent. Subject to the prior written consent of Landlord, and to the provisions of this article, Tenant at Tenant's expenses, may make alterations, installations, additions or improvements which are non-structural and which do not affect utility services or plumbing and electrical lines, in or to the interior of the demised premises by using contractors or machanics first approved by Landlord. All fixtures and all panalling, partitions, ceiling and like installations, installed in the premises at any time, either by Tenant or by Landlord in Tenant's behalf, shall, upon installation, become the property of Landlord and shall remain upon and be surrendered with the demised premises unless Landlord, by notice to Tenant no later than twenty days prior to the date fixed as the termination of this lease, elects to relinquish Landlord's right thereto and to have them removed by Tenant, in which event, the same shall be removed from the premises by Tenant prior to the expiration of the lease, at Tenant's expense. Nothing in this article shall be construed to give Landlord title to or to prevent Tenant's removal of trade fixtures, moveable office furniture and equipment, but upon removal of any such from the premises or upon removal of other installations as may be required by Landlord, Tenant shall immediately and at its expense, repair and restore the premises to the condition existing prior to installation and repair any damage to the demised premises or the building due to such removal. All property permitted or required to be removed by Tenant at the end of the term remaining in the premises after Tenant's removal shall be deemed abandoned and may, at the election of Landlord, either be retained as Landlord's property or may be removed from the premises by Landlord at Tenant's expense. Tenant shall, before making any alterations, additions, installations or improvements, at its expense, obtain all permits, approvals and certificates required by any governmental or quasi-governmental bodies and (upon completion) certificates of final approval thereof and shall deliver promptly duplicates of all such permits, approvals and certificates to Landlord and Tenant agrees to carry and will cause Tenant's contractors and sub-contractors to carry such workman's compensation, general liability, personal and property damage insurance as Landlord may require. If any mechanic's lien is filed against the demised premises, or the building of which the same forms a part, for work claimed to have been done for, or materials furnished to, Tenant, whether or not done pursuant to this article, the same shall be discharged by Tenant within ten days thereafter, at Tenant's expense, by filing the bond required by law.

4. Landlord shall maintain and repair the public portions of the building, both exterior and interior. Tenant shall, throughout the term of this lease, take good care of the demised premises and the fixtures and appurtenances therein and at Tenant's sole cost and expense, make all non-structural repairs thereto as and when needed to preserve them in good working order and condition, reasonable wear and tear, obsolescence and damages from the elements, fire or other casualty, excepted. Notwithstanding the foregoing, all damage or injury to the demised premises or to any other part of the building, or to its fixtures, equipment and appurtenances, whether requiring structural or non-structural repairs, caused by or resulting from carelessness, omission, neglect or improper conduct of Tenant. Tenant's servants, employees, invitees or licensees, shall be repaired promptly by Tenant at its sole cost and expenses, to the satisfaction of Landlord reasonably exercised. Tenant shall also repair all damage to the building and the demised premises caused by the moving of Tenant's fixtures, furniture or equipment. All the aforesaid repairs shall be of quality or class equal to the original work or construction. If Tenant fails after ten days notice to proceed with due diligence to make repairs required to be made by Tenant, the same may be made by the Landlord at the expense of Tenant and the expenses thereof incurred by Landlord shall be collectible as additional rent after rendition of a bill or statement therefor. Tenant shall give Landlord prompt notice of any defective condition in any plumbing, heating system or electrical lines located in, servicing or passing through the demised premises and following such notice, Landlord shall remedy the condition with due diligence but at the expense of Tenant if repairs are necessitated by damage or injury attributable to Tenant. Tenant's servants, agents, employers, invitees or licensees as aforesaid. Except as specifically provided by Article 9 or elsewhere in this lease, there shall be no allowance to Tenant for a diminution of rental value and no liability on the part of Landlord by reason of inconvenience, annoyance or injury to business arising from Landlord. Tenant or others making or failing to make any repairs, alterations, additions or improvements in or to any portion of the building or the demised premises or in and to the fixtures, appurtenances or equipment thereof. The provisions of this Article 4 with respect to the making of repairs shall not apply in the case of fire or other casualty which are dealt with in Article 9 hereof.

## Window Cleanings

5. Tenant will not clean, nor require, permit, suffer or allow any window in the demised premises to be cleaned from the outside in violation of any law or of the rules of the Board of Standards and Appeals, or of any other board or body having or asserting jurisdiction.

## Requirements of Law, Fire Insurance, Floor Loads

6. Prior to the commencement of the lease term. If Tenant is then in possession, and at all times thereafter. Tenant, at Tenant's sole cost and expense, shall promptly comply with all present and future laws, orders and regulations of all state, federal, municipal and local governments, departments, commissions and boards and any direction of any public officer pursuant to law, and all orders, rules and regulations of the Board of Fire Underwriters or any similar body which shall impose any violation, order or duty upon Landlord or Tenant with respect to the demised premises whether or not arising out of Tenant's use or manner of use thereof, or with respect to the building if arising out of Tenant's use or manner of use of the premises or the building (including the use permitted under the law). Nothing herein shall require Tenant to make structural repairs or alterations until Tenant has by its manner of use of the demised premises or method of operation therein, violated any such laws, ordinances, orders, rules, regulations or requirements with respect thereto. Tenant may, after securing Landlord to Landlord's satisfaction against all damages, interest, penalties and expenses, including, but not limited to, reasonable attorneys' fees, by cash deposit or by surety bond in an amount and in a company satisfactory to Landlord, contest and appeal any such laws, ordinances, orders, rules, regulations or requirements provided same is done with all reasonable promptness and provided such appeal shall not subject Landlord to prosecution for a criminal offense or constitute a default under any lease or mortgage under which Landlord may be obligated, or cause the demised premises or any part thereof to be condemned or vacated. Tenant shall not do or permit any act or thing to be done in or to the demised premises which is contrary to law, or which will invalidate or be in conflict with public liability, fire or other policies or insurance at any time carried by or for the benefit of Landlord with respect to the demised premises or the building of which the demised premises form a part, or which shall or might subject Landlord to any liability or responsibility to any person or for property damage, nor shall Tenant keep anything in the demised premises except as now or hereafter permitted by the Fire Department, Board of Fire Underwriters, Fire Insurance Rating Organization or other authority having jurisdiction, and then only in such manner and such quantity so as not to increase the rate for fire insurance applicable to the building, nor use the premises in a manner which will increase the insurance rate for the building or any property located therein over that in effect prior to the commencement of Tenant's occupancy. Tenant shall pay all costs, expenses, fees, penalties, or damages, which may be imposed upon Landlord by reason of such failure to comply with the provisions of this article and if by reason of such failure the fire insurance rate shall, at the beginning of this lease or at any time thereafter, be higher than it otherwise would be, the Tenant shall reimburse Landlord, as additional rent hereunder, for that portion of all fire insurance premiums thereafter paid by Landlord which shall have been charged because of such failure by Tenant, and shall make such reimbursement upon the first day of the month following such outlay by Landlord. In any action or proceeding wherein Landlord and Tenant are parties a schedule or "make-up" of rate for the building or demised premises issued by any body making fire insurance rates applicable to said premises shall be conclusive evidence of the facts therein stated and of the several items and charges in the fire insurance rate then applicable to said premises. Tenant shall not place a load upon any floor of the demised premises exceeding the floor load per square foot area which it was designed to carry and which is allowed by law. Landlord reserves the right to prescribe the weight and position of all safes, business machines and mechanical equipment. Such installations shall be placed and maintained by Tenant at Tenant's expense, its settings sufficient, in Landlord's judgment, to absorb and prevent vibration, noise and annoyance.



[This portion illegible]

7. This lease is subject and subordinate to all ground or underlying leases and to all mortgages which may now or hereafter affect such leases or the real property of which demised premises are a part and to all renewals, modifications, consolidations, replacements and extensions of any such underlying leases and mortgages. This clause shall be self-operative and no further instrument of subordination shall be required by any ground or underlying leases or by any mortgages, affecting any leases or the real property of which the demised premises are a part. In confirmation of such subordination. Tenant shall execute promptly any certificate that Landlord may request.

See Paragraph 63 "Rider to Lease"

#### LOSS, DAMAGES, REIMBURSEMENT, INDEMNITY

8. Landlord or its agents shall not be liable for any damages to property of Tenant or of others entrusted to employers of the building, nor for loss of or damages to any property of Tenant by theft or otherwise, nor for any injury or damage to persons or property resulting from any cause of whatsoever nature, unless caused by or due to the negligence of Landlord, its agents, servants or employers; nor shall Landlord or its agents be liable for any such damage caused by other tenants or persons in, upon or about said building or caused by operations in construction of any private, public or quasi public work. If at any time any windows of the demised premises are temporarily closed, darkened or bricked up (or permanently closed, darkened or bricked up, if required by law) for any reason whatsoever including, but not limited to Landlord's own acts. Landlord shall not be liable for any damage Tenant may sustain thereby and Tenant shall not be entitled to any compensation therefor nor abatement or diminution of rent nor shall the same release Tenant from its obligations hereunder nor constitute an eviction. Tenant shall not move any safe, heavy machinery, heavy equipment, bulky matter, or fixtures into or out of the building without Landlord's prior written consent. If such safe, machinery, equipment, bulky matter or fixtures requires special handling, all work in connection therewith shall comply with all laws and regulations applicable thereto and shall be done during such hours as Landlord may designate. Tenant shall indemnify and save harmless Landlord against and from all liabilities, obligations, damages, penalties, claims, costs and expenses for which Landlord shall not be reimbursed by insurance, including reasonable attorneys fees, paid, suffered or incurred as a result of any breach by Tenant. Tenant's agents, contractors, employees, invitees, or licensees, of any covenant or condition of this lease, or the carelessness, negligence or improper conduct of the Tenant. Tenant's agents, contractors, employees, invitees or licensees. Tenant's liability under this lease extends to the acts and omissions of any subtenant, and any agent, contractor, employee, invitee or licensee of any sub-tenant. In case any action or proceeding is brought against Landlord by reason of any such claim. Tenant, upon written notice from Landlord, will, at Tenant's expense, resist or defend such action or proceeding by counsel approved by Landlord in writing, such approval not to be unreasonably withheld

[Rider to be added if necessary]

## DESTRUCTION, FIRE AND OTHER CASUALTY:

9. (a) If the demised premises or any part thereof shall be damaged by fire or other casualty, Tenant shall give immediate notice thereof to Landlord and this lease shall continue in full force and effect except as hereinafter set forth. (b) If the demised premises are partially damaged or rendered partially unusable by fire or other casualty, the damages thereto shall be repaired by and at the expense of Landlord and the rent, until such repair shall be substantially completed, shall be apportioned from the day following the casualty according to the part of the premises which is usable. (c) If the demised premises are totally damaged or rendered wholly unusable by fire or other casualty, then the rent shall be proportionately paid up to the time of the casualty and thenceforth shall cease until the date when the premises shall have been repaired and restored by Landlord, subject to Landlord's right to elect not to restore the same as hereinafter provided. (d) If the demised premises are rendered wholly unusable or (whether or not the demised premises are damaged in whole or in part) if the building shall be so damaged that Landlord shall decide to demolish it or to rebuild it, then, in any of such events, Landlord may elect to terminate this lease by written notice to Tenant given within 90 days after such fire or casualty specifying a date for the expiration of the lease, which date shall not be more than 60 days after the giving of such notice, and upon the date specified in such notice the term of this lease shall expire as fully and completely as if such date were the date set forth above for the termination of this lease and Tenant shall forthwith quit, surrender and vacate the premises without prejudice however, to Landlord's rights and remedies against Tenant under the lease provisions in effect prior to such termination, and any rent owing shall be paid up to such date and any payments of rent made by Tenant which were on account of any period subsequent to such date shall be returned to Tenant. Unless Landlord shall serve a termination notice as provided for herein, Landlord shall make the repairs and restorations under the conditions of (b) and (c) hereof, with all reasonable expedition subject to delays due to adjustment of insurance claims, labor troubles and causes beyond Landlord's control. After any such casualty, Tenant shall cooperate with Landlord's restorations by removing from the premises as promptly as reasonably possible, all of Tenant's salvageable inventory and movable equipment, furniture, and other property. Tenant's liability for rent shall resume five (5) days after written notice from Landlord that the premises are substantially ready for Tenant's occupancy. (c) Nothing contained hereinabove shall relieve Tenant from liability that may exist as a result of damage from fire or other casualty. Notwithstanding the foregoing, each party shall look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty, and to the extent that such insurance is in force and collectible and to the extent permitted by law, Landlord and Tenant each hereby releases and waives all right of recovery against the other or any one claiming through or under each of them by way of subrogation or otherwise. The foregoing release and waiver shall be in force only if both releasers insurance policies contain a clause providing that such a release or waiver shall not invalidate the insurance and also, provided that such a policy can be obtained without additional premiums. Tenant acknowledges that Landlord will not carry insurance on Tenant's furniture and/or furnishings or any fixtures or equipment, improvements, or appurtenances removable by Tenant and agrees that Landlord will not be obligated to repair any damage thereto or replace the same.

SEE PARAGRAPH 51 "RIDER TO LEASE"

#### EMINENT DOMAIN

10. If the whole or any part of the demised premises shall be acquired or condemned by Eminent Domain for any public or quasi public use or purpose, then and in that event, the term of this lease shall cease and terminate from the date of title vesting is such proceeding and Tenant shall have no claim for the value of any unexpected term of said leases.

#### ASSIGNMENT MORTGAGE ETC.

11. Tenant, for itself, its heirs, distributees, executors, administrators, legal representatives, successors and assigns, expressly covenants that it shall not assign, mortgage or encumber this agreement, nor under???, or suffer or permit the demised properties or any part thereof to be used by others, without the prior written consent of Landlord in each instance. If this lease be assigned, or if the demised premises or any part thereof be under??? or occupied by anybody other than Tenant, Landlord may, after default by Tenant, collect rent from the assignee, under-tenant or occupant, and apply the net amount collected to the rent herein reserved, but no such assignment, underwriting, occupancy or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, under-tenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. The consent by Landlord to as assignment or underletting shall not in any ways be construed to relieve Tenant from obtaining the express consent in writing of Landlord to any further assignment or underletting

SEE PARAGRAPH 48 "RIDER TO LEASE"

#### ELECTRIC CURRENT

12. Rates and conditions in respect to submetering or rent inclusion, as the case may be, to be added in RIDER attached hereto. Tenant covenants and agrees that at all times its use of electric current shall not exceed the capacity of existing feeders to the building or the risers or wiring installation and Tenant may not use any electrical equipment which, in Landlord's opinion, reasonable exercised, will overload such installations or interfere with the use thereof by other tenants of the building. The change at any time of the character of electric service shall in no wise make Landlord or responsible to Tenant, for any loss, damages or expenses which Tenant may sustain

SEE PARAGRAPH 40 "RIDER TO LEASE"

#### ACCESS TO PREMISES

13. Landlord or Landlord's agents shall have the right (but shall not be obligated) to enter the demised premises in any emergency at any time, and, at other reasonable times, to examine the same and to make such repairs, replacements and improvements as Landlord may deem necessary and reasonably desirable to the demised premises or to any other portion of the building or which Landlord may elect to perform following Tenant's failure to make repairs or perform any work which Tenant is obligated to perform under this license, or for the purpose of complying with laws, regulations and other directions of governmental authorities. Tenant shall permit Landlord to use and maintain and replace pipes and conduits in and through the demised premises and to erect new pipes and conduits therein. Landlord may, during the progress of any work in the demised premises, take all necessary materials and equipment into said premises without the same constituting an eviction nor shall the Tenant be entitled to any abatement or rent while such work is in progress not to any damages by reason of loss or interruption of business or otherwise. Throughout the terms hereof Landlord shall have the right to enter the demised premises at reasonable hours for the purposes of showing the same to prospective purchasers or mortgagees of the building, and during the last six months of the term for the purpose of showing the same to prospective tenants and may, during said six months period place upon the premises the usual notices "To Let" and "For Sale" which notices Tenant shall permit so remain thereon without molestation. If Tenant is not present to open and permit as entry into the premises, Landlord or Landlord's agents may enter the same whenever such entry may be necessary or permissible by master key or forcibly and provided reasonable care is exercised to safeguard Tenants's property and such entry shall not render Landlord or its agents liable therefor, nor in any event shall the obligations of Tenant hereunder be affected. If during the last month of the term Tenant shall have removed all or substantially all of Tenant's property therefrom. Landlord may immediately enter, alter, renovate or redecorate the demised premises without) limitations or abatement of rent, or incurring liability to Tenant for any compensation and such act shall have no effect on this lease or Tenant's obligations hereunder. Landlord shall have the right at any time, without the same consisting an eviction and without incurring liability to Tenant therefor to changes the arrangement and/or location of public entrances, passageways, doors, doorways, corridors, elevators, stairs, toilets, or other public parts of the building and to change the name, member or demag??? by which the building may be known.

## CERTIFICATE OF OCCUPANCY

15. Tenant will not at any time live or occupy the detached premises in violation of the certificates of occupancy issued for the building of which the damaged premises are a part. Tenant has inspected the premises and accepts them as is, subject to the riders announced hereto with respect to Landlord's work. If any in any event, Landlord makes no representation as to the condition of the premises and Tenant agrees to accept the same subject as violations whether or not of record.

## BANKRUPTCY

16. (a) If at the date fixed as the commencement of the term of this lease or if at any time during the term hereby demised there shall be filed by or against Tenant in any court pursuant to any statute either of the United States or of any sextets, an petition in bankruptcy or insolvency or for reorganization or for the apportionment of a receiver or trustee of all or a portion of Tenant's property and within 60 days thereof. Tenant fails to secure a dismissal thereof, or if Tenant make an assignment for the benefit of creditors or petition for or enter into an arrangement, this lease, at the option of Landlord exercised within a reasonable time after notice of the happening of any one or more of such events, may be cancelled and terminated by written notice to the Tenant (but if any of such xxxxx occur prior to the commencement xxxx, this lease shall be ipso facto cancelled and incriminated) and whether such cancellation and termination occur prior to or during the term, neither Tenant nor any person claiming through or under Tenant by virtue of any statute or of any order of any court, shall be entitled to possession or to remain in possession of the premises determined but shall forthwith quit and surrender the premises, and Landlord, in addition to the other rights and xxxxxxx Landlord has by virtue of any other provision herein or elsewhere in this lease contained or by virtue of any xxxxxx or rule of law, may xxxxx as liquidated damages, any rent, security deposit or xxxxxx received by him from Tenant or others on behalf of Tenant. If this lease shall be assigned in accordance with its terms, the provisions of this Article 16 shall be applicable only to the party then owning Tenant's interest in that lease.

(b) It is stipulated and agreed that in the event of the termination of this lease pertinent to (a) hereof, Landlord shall forthwith, notwithstanding any other provisions of this lease to the contrary, be entitled to recover from Tenant as and for liquidated damages an amount equal to the difference between the rent reserved hereunder for the unexpired portion of the term demised and the fair and reasonable retail values of the demised premises for the same period. In the computation of such damages the difference between any installment of rent becoming due hereunder after the day of termination and the fair and reasonable rental value of the demised premises for the period for which such instalment was payable shall be discontinued to the date of termination at the rate of four per cent (4%) per annum. If such premises or any part thereof be re-let by the Landlord for the unexpired term of said lease, or any part thereof, before presentation of proof of such liquidated damages to any court, commission or tribunal, the amount of rent reserved upon such re-letting shall be deemed to be the fair and reasonable rental value for the part or the whole of the premises to re-let during the term of the reletting. Nothing herein contained shall limit or prejudice the right of the Landlord to prove for and obtain as liquidated damages by reason of such termination, an amount equal to the maximum allowed by any statute or rule of law in effect at the time where, and governing the proceedings in which, such damages are to be proved, whether or not such amount be greater, equal to, or less than the amount of the difference referred to above.

## DEFAULT

17. (1) If Tenant defaults in fulfilling any of the covenants of this lease other than the covenants for the payment of rent or additional rent or if the demised premises become vacant or deserted: or if the demised premises are damaged by reason of negligence or carelessness of Tenant, its agents employees or invitees: or if any execution or attachment shall be issued against Tenant or any of Tenant's property whereupon the demised premises shall be taken or occupied by someone other than Tenant: or if Tenant shall make default with respect to any other lease between Landlord and Tenant: or if Tenant shall fail to move into or take possession of the premises within fifteen (15) days after the commencement of the term of this lease, of which fact Landlord shall be the sole judge; then, in any one or more of such events upon Landlord serving a written 4 days notice upon Tenant specifying the nature of said default and upon the expiration of said 4 days, if Tenant shall have failed to comply with or remedy such default, or if the said default or omission complained of shall be of a nature that the same cannot be completely cured or remedied within said 4 day period, and if Tenant shall not have diligently commenced during such default within such 4 day period and shall not thereafter with reasonable diligence and in good faith proceed to remedy or cure such default then Landlord may serve a written three (3) days' notice of cancellation of this lease upon Tenant and upon the expiration of said three (3) days this lease and the term thereunder shall end and expire as fully and completely as if the expiration of such three (3) day period were the day herein definitely fixed for the end and expiration of this lease and the term thereof and Tenant shall then

quit and surrender the demised premises to Landlord but Tenant shall remain liable as hereinafter provided.

(2) If the notice provided for in (1) hereof shall have been given and the term shall expire as aforesaid: or if Tenant shall make default in the payment of the rent reserved herein or any item of additional rent herein mentioned or any part of either or in making any other payment herein required 5 then and in any of such events Landlord may without notice, re-enter the demised premises either by force or otherwise and dispossess Tenant by summary proceedings or otherwise and the legal representative of Tenant or other occupant of demised premises and remove their effects and hold the premises as if this lease had not been made and Tenant hereby waives the service of notice of intention to re-enter or to institute legal proceedings to that end. If Tenant shall make default hereunder prior to the date fixed as the commencement of any renewal or extension of this lease. Landlord may cancel and terminate such renewal or extension agreement by written notice.

## REMEDIES OF LANDLORD AND WAIVER OF REDEMPTIONS:

18. In case of any such default, re-entry, expiration and/or dispossession by summary proceedings or otherwise. (a) the rent shall become due thereupon and be paid up to the time of such re-entry, dispossession and/or expiration, together with such expenses as Landlord may incur for legal expenses, attorneys' fees, brokerage, and/or pricing the demand premises in good order, or for preparing the same for re-rental; (b) Landlord may re-let the premises or any part or parts thereof, either in the name of Landlord or otherwise, for a term or terms, which may at Landlord's option be less than or exceed the period which would otherwise have constituted the balance of the term of this lease and may grant concessions or free rent or charge a higher rental than that in the lease, and/or (c) Tenant or the legal representatives of Tenant shall also pay Landlord as liquidated damages for the failure of Tenant to observe and perform said Tenant's covenants herein contained pay deficiency between the rent hereby reserved and/or covenanted to be paid and the net amount, if any, of the rents collected on account of the lease or leases of the desired premises for each month of the period which would otherwise have constituted the balance of the term of this lease. The failure of Landlord to re-let the premises or any part or parts thereof shall not release or affect Tenant's liability for damages. In computing such liquidated damages there shall be added to the said deficiency such expenses as Landlord may face in connection with re-letting, such as legal expenses, attorneys' fees, brokerages, advertising and for keeping the demised premises in good order or for preparing the sums for re-letting. Any such liquidated damages shall be paid in monthly installments by Tenant on the first day specified in this lease and any suit brought to collect the amount of the deficiency for any month shall not prejudice in any way the rights of Landlord to collect the deficiency for any subsequent month by a similar proceeding. Landlord, in pricing the demised premises in good order or preparing the same for renewal may, at Landlord's option, make such alterations, repairs, replacements, and/or decorations in the demised premises as Landlord, in Landlord's sole judgment, commences advisable and summary for the purpose of re-letting the demised premises, and the making of such alterations, repairs, replacements, and/or decorations shall not operate or be construed to release Tenant from liability hereunder as aforesaid. Landlord shall in no event be liable in any way whatsoever for failure to re-let the demised premises, or in the event that the demised premises are re-let, for failure to conflict the rent thereof under such re-letting, and in no event shall Tenant be entitled to receive any excess, if any, of such net rent collected over the sums payable by Tenant to Landlord hereunder. In the event of a breach or threatened breach by Tenant of any of the covenants or provisions hereof, Landlord shall have the right of liquidation and the right to invoke any remedy allowed by law or in equity as if re-entry, summary proceedings and other remedies were not being provided for, mention in this lease of any particular remedy, shall not practice Landlord from any other remedy, in law or in equity. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any causes, or in the event of Landlord obtaining possession of demised premises, by reason of the violation by Tenant of any of the covenants and additions of this lease, or otherwise.

## FEES AND EXPENSES:

19. If tenant shall default in the observance or performance of any term or covenant on tenant's part to be observed or performed under or by virtue of any of the terms or provisions in any article of this lease, then, unless otherwise provided elsewhere in this lease, landlord may immediately or at any time thereafter and without notice perform the obligation of tenant thereunder, and if landlord, in connection therewith or in connection with any default by tenant in the covenant to pay rent hereunder, makes any expenditures or incurs any obligations for the payment of money, including but not limited to attorney's fees, in instituting, protesting or defending any action or proceeding, such sums so paid or obligations incurred with interest and costs shall be deemed to be additional rent hereunder and shall be paid by tenant to landlord within 6 days of recondition of any bill statement to tenant therefore, and if tenant's lease term shall have expired at the time of making of such expenditures or incurring of such obligations, such sums shall be recoverable by landlord as damages.

## NO REPRESENTATION BY LANDLORD:

20. Neither Landlord nor Landlord's agents have made any representations or promises with respect to the physical condition of the building, the land upon which it is erected or the demised premises, the rents, leases, expenses except as herein expressly set forth and no rights, easement of licenses are acquired by Tenant by implication or otherwise except as expressly set forth in the provisions of this leases. Tenant has inspected the building and the demised premises and is thoroughly acquainted with their condition, and agrees to take the same "as is" and acknowledges that the taking of possession of the demised premises by Tenant shall be conclusive evidence that the said premises and the building ow which the same form a part were in good and satisfactory condition at the time such possession was so taken, except as to latent defects. All understandings and agreements heretofore made between the parties herein are merged in this contract, which alone fully and completely expresses the agreement between Landlord and Tenant and any executory agreement hereafter made shall be ineffective to changes, modify, discharge or effect an abandonment of it in whole or in part, unless such executory agreement is in writing and signed by the party against whom enforcement of the changes, modification, discharge or abandonment is sought.

## END OF TERM:

21. Upon the expiration or other termination of the term of this lease, Tenant shall quit and surrender to Landlord the semised premises, broom clean, in good order and condition, ordinary wear excepted, and Tenant shall remove all its property. Tenant's obligation to observe or perform this covenant shall survive the expiration or other termination of this lease. If the last day of the term of this lease or any removal thereof, falls on Sunday, this lease shall expire at noon on the preceding Saturday unless it be a legal holiday in which case it shall expire at noon on the preceding business day.

## QUIET ENJOYMENT:

22. Landlord covenants and agrees with Tenant that upon Tenant that upon Tenant paying the rent and additional rent and observing and performing all the terms, covenants and conditions, on Tenant's part to be observed and performed, Tenant may peaceably and quietly enjoy the premises hereby demised, subject, nevertheless, to the terms and conditions of this leases xxxxxding, but not limited to, Article 30 hereof and to the ground leases, underlying leases and mortgages herein before mentioned.

## FAILURE TO GIVE POSSESSION:

23. If Landlord is unable to give possession of the demised premises on the date of the commencement of the term hereof, because of the holding-over or retention of possession of any tenant, undertenant or occupants, or if the premises are located in a building being constructed, because such building has not been sufficiently completed to make the premises ready for occupancy or because of the fact that a certificate of occupancy has not been procured or for any other reason. Landlord shall not be subject to any liability for failure to give possession on said date and the validity of the leases shall not be impaired under such circumstances, nor shall the same be construed in any way to extend the term of this lease, but the rent payable hereunder shall be abated (provided Tenant is not responsible for the inability to obtain possession) until after Landlord shall have given Tenant written notice that the premises are substantially ready for Tenant's occupancy. If permission is given to Tenant to enter into the possession of the demised premises or to occupy premises other than the demised premises prior to the date specified as the commencement of the term of this lease, Tenant covenants and agrees that such occupancy shall be deemed to be under all the terms, covenants, conditions and provisions of this lease, except as to the covenant to pay rent.

## NO WAIVERS:

24. The failure of Landlord to seek redress for violation of, or to insist upon the strict performance of any covenant or condition of this lease or of any of the Rules or Regulations set forth or hereafter adopted by Landlord, shall not prevent a subsequent act which would have originally constituted a violation from having all the force and effect of an original violation. The receipt by Landlord of rent with knowledge of the breach of any covenant of this lease shall not be deemed to have been waived by Landlord unless such waiver be in writing signed by Landlord. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly rent herein stipulated shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement of any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy in this lease provided. No act or thing done by Landlord or Landlord's agents during the term hereby described shall be deemed as acceptance of a surrender of said premises and no agreement to accept such surrender shall be valid unless in writing signed by Landlord. No employee of Landlord or Landlord's agent shall have any power to accept the keys of said premises prior to the termination of the lease and the delivery of keys to any such agent or employee shall not operate as a termination of the lease or a surrender of the premises.

## WAIVER OF TRIAL BY JURY:

25. It is mutually agreed by and between landlord and Tenant that the respective parties hereto shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other (except for personnel injury or property damage) on any matters whatsoever arising out of or in any way connected with this lease, the relationship of Landlord and Tenant. Tenant's use of or occupancy of said premises, and any emergency statutory or any other statutory remedy. It is further mutually agreed that in the event Landlord commences any summary proceeding for possession of the premises, Tenant will not interpose any counterclaim of whatever nature or description in any such proceeding.

## LIABILITY TO PERFORM:

26. This lease and the obligation of Tenant to pay rent hereunder and perform all of the other covenants and agreements hereunder on part of Tenant to be performed shall in no wise be affected, impaired or excused because Landlord is unable to fulfill any of its obligations under this lease or to supply or is delayed in supplying any service expressly or implied to be supplied or is unable to make, or is delayed in making any repair, additions, alterations or decorations or is unable to supply or is delayed in supplying any equipment or fixtures if Landlord is prevented or delayed from so doing by reason of strike or labor troubles of any cause, including, but not limited to, government preemption in connection with a National Emergency or by reason of any rule, order or regulation of any department or subdivision thereof of any government agency or by reason of the conditions of supply and demand which have been or are affected by war or other emergency.



## BILLING AND NOTICES

27. Except as otherwise in this lease provided, a bill, statement, notice or communication which Landlord may desire or the required to give to Tenant, shall be deemed sufficiently given or rendered if in writing.

as sent by registered or certified mail addressed to Tenant at the building of which the demised premises form a part or at the last know residence address or business address of Tenant or left at any of the aforesaid premises addressed to Tenant, and the time of the rendition of such bill or statement and of the giving of such notice or communication shall be deemed to be the time when the same is delivered to Tenant, mailed, or left at the premises as herein provided. Any notice by Tenant to Landlord must be served by registered or certified mail addressed to Landlord at the address first hereinabove given or at such other address as Landlord shall designate by written notice.

SERVICES PROVIDED BY LANDLORD--WATER, ELEVATORS, HEAT,  
CLEANING, AIR CONDITIONING

28. As long as Tenant is not in default under any of the covenants of this lease. Landlord shall provide: (a) necessary elevator facilities on business days from 8 a.m. to 6 p.m. and have one elevator subject to call at all other times: (b) heat to the demised premises when and as required by law, on business days from 8. a.m. to 6 p.m.\*

(c) water for ordinary lavatory purposes, but if Tenant uses or consumes water for any other purposes or in unusual quantities (of which fact Landlord shall be the sole judges). Landlord may install a water meter at Tenant's expense which Tenant shall thereafter maintain at Tenant's expense in good working order and repair to register such water consumption and Tenant shall pay for water consumed as shown on said meter as additional rent as and when bill are rendered, and on Tenant's default in making such payment. Landlord may pay such charges and collect the same from Tenant. Such a meter shall also be installed and maintained at Tenant's expenses if required by Law or Governmental Order. Tenant, if a water meter is so installed, covenants and agrees to pay its proportionate share of the sewer rent and all other rents and charges which are now or hereafter assessed, imposed or may become a lien on the demised premises or the reality of which they are a part: (d) cleaning service for the demised premises on business days at Landlord's expense provided that the same are kept in order by Tenant. If, however, said premises are to be kept clean by Tenant, it shall be done at Tenant's sole expense, in a manner satisfactory to Landlord and no one other than persons approved by Landlord shall be permitted to enter said premises or the building of which they are a part (or such purposes. Tenant shall pay Landlord the cost of removal of any of Tenant's refuse and rubbish from the building. (e) RIDER to be added in respect to rates and conditions for air conditioning's cooling and ventilation if the entire building in which the demised premises is located is serviced by a central air conditioning/cooling and ventilating system. If applicable air conditioning/cooling will be furnished from March 15th through September 30th on business days (Mondays through Fridays, holidays excepted) from 8:00 a.m. to 6:00 p.m., and ventilation will be furnished on business days during the aforesaid hours except when air conditioning/cooling is being furnished as aforesaid. If Tenant requires air conditioning/cooling or ventilation for more extended hours or on Saturdays, Sunday's or on holidays.

Landlord will furnish the name at Tenant's expense (f) Landlord shall have no responsibility or liability for failure to supply the services agreed to herein. Landlord reserves the right to stop services of the heating, elevators, plumbing, air-conditioning, power systems or cleaning or other services, if any, when necessary by reason of accident or for repairs, alterations, replacements or improvements necessary or demurable?? in the judgement of Landlord for as long as may be reasonably required by reason thereof or by reasons of strikes, accidents, laws, order or regulations or any other reason beyond the control of Landlord. If the building of which the demised premises are a part supplies manually-operated elevator services, Landlord at any time may sub???? automatic-control elevator services and upon ten days' written notice to Tenant, proposed with alterations necessary therefor without in any ways affecting this lease or the obligations of Tenant hereunder. The name shall be done with a minimum of inconvenience to Tenant and Landlord shall ????? the alteration which due diligence.

SEE PARAGRAPH 39 "RIDER TO LEASE"

33. The Captions are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this lease nor the intent of any provision thereof.

DEDUCTIONS:

34. The term "office", or "offices", wherever used in this lease, shall not be construed to mean premises used as a store or stores, for the sale or display, at any time, of goods, wares of merchandise, of any kind or as a restaurant, shop, booth, bootblack or other stand, barber shop, or for other similar purposes or for manufacturing. The term "Landlord" as used in this lease means only the owner of the mortgage in possession, for the time being of the land and building (or the owner of a lease of the building or of the land and building) of which the demised premises form a part, so that in the event of any sale or sales of said land and building or of said lease, or in the event of a lease of said building, or of the land and building, the said Landlord shall be and hereby is entirely freed and relieved of all covenants and obligations of Landlord hereunder, and it shall be deemed and construed without further agreement between the partners of their successors in interest, or between the partners and the purchaser, at any such sale, or the said leasee of the building, or of the land and building, that the purchaser or the leasee of the building has assumed and agreed to carry out any and all covenants and obligations of Landlord, hereunder. The words "reenter" and "re-entry" as used in this lease are not restricted to their technical legal meaning. The term "business days" as used in this lease shall exclude Saturdays (except such portion thereof as is covered by specific hours in Article 28 hereof). Sundays and all days set forth on Exhibit "E".

ADJACENT EXCAVATED SHXXXINGS:

31. If an excavation shall be made upon land adjacent to the demised premises, or shall be authorized to be made. Tenant shall afford to the person causing or authorized to cause such excavation, licensee to enter upon the demised premises for the purpose of doing such work as said person shall deem necessary to preserve the wall or the building of which demised premises form a part from injury or damage and to support the same by proper foundations without any claim for damages or internality against Landlord, or diminution or abatement of rent.

RULES AND REGULATIONS:

32. Tenant and Tenant's servants, employees, agents, visitors, and licensees shall observe faithfully, and comply strictly with, the Rules and Regulations and such other and further reasonable Rules and Regulations as Landlord or Landlord's agents may from time to time adopt. Notice of any additional rules or regulations shall be given in such manner as Landlord may elect. The right to dispute the reasonableness of any additional Rule or Regulation upon Tenant's part shall be deemed waived unless the name shall be assured by service of a notice thereof. Nothing in this lease contained shall be construed to impose upon Landlord any duty or obligation to enforce the Rules and Regulations or terms, covenants or conditions in any other lease, as against any other tenant and Landlord shall not be liable to Tenant for violation of the xxxxx by any other tenant, its servants, employees, agents, visitors or licensees.

## SECURITY:

33. Tenant has deposited with Landlord the sum of \$ \_\_\_\_\_ as security for the faithful performance and observance by Tenant of the terms, provisions and conditions of this lease: it is agreed that in the event Tenant defaults in respect of any of the terms, provisions and conditions of this lease, including, but not limited to, the payment of rent and additional rent. Landlord may use, apply or retain the whole or any part of the security so deposited to the extent required for the payment of any rent and additional rent or any other sum as to which Tenant is in default or for any sum which Landlord may expend or may be required to expend by reason of Tenant's default in respect of any of the terms, covenants and conditions of this lease, including but not limited to any damages or deficiency in the re-letting of the premises, whether such damages or deficiency accrued before or after summary proceedings or other re-entry by Landlord. In the event that Tenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this lease, the security shall be returned to Tenant after the date fixed as the end of the Lease and after delivery of entire possession of the demised premises to Landlord. In the event of a sale of the land and building or leasing of the building, of which the demised premises form a part, Landlord shall have the right to transfer the security to the vendor or lessee and Landlord shall thereupon be released by Tenant from all liability for the return of such security; and Tenant agrees to look to the new Landlord solely for the return of said security; and it is agreed that the provisions hereof shall apply to every transfer or assignment made of the security to a new Landlord. Tenant further covenants that it will not assign or encumber or attempt to assign or encumber the monies deposited herein as security and that neither Landlord nor its successors or assigns shall be bound by any such assignment, encumbrances, attempted assignment or attempted encumbrances.

## SUCCESSORS AND ASSIGNEES

34. The covenants, conditions and agreements contained in this lease shall bind and insure to the benefit of Landlord and Tenant and their respective heirs, distributees, executors, administrators, successors, and except as otherwise provided in this lease, their assigns.

35. This Lease consists of this Printed Portion containing Articles 1-35 and each of the following attached hereto and made a part hereof: (a) Addendum to Printed Portion of Lease; (b) Rider to Lease; and (c) the following exhibits: Exhibit A (Rental Plan), Exhibit B (Work Letter), Exhibit C (Legal Description - Site Plan), Exhibit D (Cleaning Service rider) and Exhibit E (Legal Holidays).

IN WITNESS WHEREOF, Landlord and Tenant have respectively signed this Lease on the day year first above written.

LANDLORD: MEADOWLANDS ASSOCIATES

By: ARC Meadowlands Associates,  
General Partner

By: ARC Meadowlands, Inc.,  
General Partner

-----  
Michael A. Futterman, President

TENANT: ALEXANDER & ALEXANDER CONSULTING  
GROUP INC.

By:

-----  
Title: Vice President

IMPORTANT -- PLEASE READ

RULES AND REGULATIONS ATTACHED TO AND  
MADE A PART OF THIS LEASE  
IN ACCORDANCE WITH ARTICLE 32

(REST OF COPY IS ILLEGIBLE)

\*Notwithstanding the above, Tenant shall be permitted to bring on to the demised premises bottled drinking water.

\*\*Or the Tenant.

## ADDENDUM TO PRINTED PORTION OF LEASES

Dated: October 7, 1986

LANDLORD: MEADOWLANDS ASSOCIATES  
TENANT: ALEXANDER & ALEXANDER CONSULTING GROUP INC.  
PREMISES: 125 Chubb Avenue  
Lyndhurst, New Jersey 07071  
The entire north wing of the second  
(2nd) and fifth (5th) floors

The paragraphs of the Printed Portion of the Lease listed below are amended as follows where indicated by the corresponding footnotes set forth in the body of the Printed Portion:

Paragraph 6., Requirements of Law, etc.:

1. to correct any violations which have been caused by tenants previously occupying the Demised Premises, or

Paragraph 8., Property - Loss, Damage, etc.:

2. In the event Tenant shall notify Landlord and the appropriate governmental authority of an illegal and dangerous condition existing in the Building and Landlord shall not correct or cause to be corrected such condition within thirty (30) days following such notice, Tenant shall not be liable for damages resulting from claims brought for any injuries arising from such condition, provided such condition shall not have resulted, in whole or in part, from the acts or omissions of Tenant.

Paragraph 9., Destruction, etc.:

3. Tenant shall have the option of terminating this Lease upon thirty (30) days written notice to Landlord in the event Landlord shall not have substantially completed

restoration of the Demised Premises as of a date which is 90 days after such fire or casualty destroys 25% or less of the Demised Premises, provided Tenant submits such notice to Landlord on or prior to a date which is 120 days after such fire or casualty, but if such fire or casualty destroys more than 25% of the Demised Premises, Landlord shall have 180 days to restore the Demised Premises. Tenant's right to terminate the Lease upon Landlord's failure to repair in the event of a destruction in excess of 25% shall require Tenant's notice to Landlord within 210 days after such fire or casualty.

Paragraph 17., Default:

4. thirty (30)
5. except that in the event of default in the payment of rent or additional rent, Landlord shall, not more than one (1) time in any Operating Year, give Tenant a ten (10) day notice of such default and Tenant shall have five (5) days to cure such default.

Paragraph 19., Fees and Expenses:

6. fifteen (15)

Paragraph 26., Inability to Perform:

7. beyond Landlord's reasonable control.

Paragraph 27., Bills and Notices:

8. or by overnight courier or United States Postal Service Express Mail.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Addendum to the Printed Portion of the Lease as of the day and year above written.

LANDLORD:

MEADOWLANDS ASSOCIATES

By: ARC Meadowlands Associates,  
General Partner

By: ARC Meadowlands, Inc.  
General Partner

By: /s/ Michael A. Fitterman  
-----  
Michael A. Fitterman, President

TENANT:

ALEXANDER & ALEXANDER  
CONSULTING GROUP INC.

By: /s/ [ILLEGIBLE SIGNATURE]  
-----  
Vice President                      Title.  
Alexander & Alexander Inc.

TABLE OF CONTENTS  
FOR RIDER TO LEASE

| ARTICLE<br>-----   | Page<br>----- |
|--|---------------|
| 36. DEFINITIONS; DEMISED PREMISES;<br>ADJUSTED MINIMUM RENT.....   | 1             |
| 37. COMMENCEMENT OF TERM; ESTIMATED<br>COMMENCEMENT DATE; COMMENCEMENT DATE AND<br>TERMINATION DATE; RENT COMMENCEMENT DATE..... | 5             |
| 38. LANDLORD'S WORK; LANDLORD'S WORK LETTER.....   | 6             |
| 39. HEATING, AIR-CONDITIONING AND VENTIL-<br>ATION; LEGAL HOLIDAYS; "AFTER HOURS".....   | 6             |
| 40. ELECTRIC CURRENT.....  | 7             |
| 41. LIABILITY INSURANCE.....   | 7             |
| 42. FIRE INSURANCE - WAIVER OF SUBROGATION.....  | 7             |
| 43. PARKING FACILITIES.....  | 8             |
| 44. ACCESS AND COMMON AREAS.....   | 8             |
| 45. INTENTIONALLY DELETED.....   | 8             |
| 46. BROKER.....  | 8             |
| 47. CLEANING SERVICES.....   | 9             |
| 48. ASSIGNMENT AND SUBLETTING.....   | 9             |
| 49. TENANT'S COOPERATION; REASONABLE<br>MODIFICATIONS; ESTOPPEL CERTIFICATE.....   | 14            |
| 50. LIMITATION OF LIABILITY<br>DEFINITION OF LANDLORD.....   | 14            |
| 51. STATUTORY WAIVER.....  | 15            |
| 52. CORPORATE AUTHORITY.....   | 15            |
| 53. PERSONAL PROPERTY TAXES.....   | 15            |
| 54. BUILDING CHANGES.....  | 15            |
| 55. HOLDING OVER.....  | 16            |
| 56. RESTRICTIVE COVENANT - FOOD SERVICE.....   | 16            |
| 57. NOTICES.....   | 16            |
| 58. SEVERABILITY OF PROVISIONS.....  | 17            |
| 59. NO OFFER OR AGREEMENT.....   | 17            |
| 60. RENEWAL OPTION.....  | 18            |
| 61. TENANT'S SPECIAL SECURITY.....   | 20            |
| 62. CROSS DEFAULT.....   | 20            |
| 63. SUBORDINATION, NON-DISTURBANCE<br>AND ATTORNMENT.....  | 20            |
| 64. RATIFICATION.....  | 22            |
| SIGNATURE PAGE.....  | 22            |



In the event of any inconsistency between the provisions of this typed Rider and those contained in the printed portion of the lease to which this Rider is annexed, the provisions of this typed Rider shall govern and be binding.

Dated: October 7, 1986

LANDLORD: MEADOWLANDS ASSOCIATES

TENANT: ALEXANDER & ALEXANDER CONSULTING GROUP INC.

PREMISES: The entire north wing of the second (2nd) and fifth (5th) floors  
1251 Chubb Avenue  
Lyndhurst, New Jersey

36. DEFINITIONS; DEMISED PREMISES;  
ADJUSTED MINIMUM RENT

36.1 Definitions. For purposes of this Article, the following terms shall have the meanings set forth below:

(1) Assessed Valuation shall mean the assessed valuation of the Real Estate for the First Tax Year, as such assessed valuation is or may be ultimately determined by final administrative or judicial proceedings, or by abatement by an appropriate taxing authority;

(2) Base Tax Rate shall mean the real estate tax rate in effect on the date of this Lease;

(3) First Operating Year shall mean the calendar year ending December 31, 1987. Operating Year shall mean any calendar year thereafter;

(4) First Tax Year shall mean the calendar year ending December 31, 1987. Tax Year shall mean any calendar year thereafter;

(5) Land shall mean the land described in Exhibit C to this Lease;

(6) Occupancy Percentage shall mean the percentage of Tenant's occupancy of the entire Building;

(7) Real Estate Tax Base shall mean the amount determined by multiplying the Assessed Valuation by the Base Tax Rate;

(8) Taxes shall mean all real estate taxes, charges and assessments imposed upon the Land, Building and other improvements thereon (collectively, the "Real Estate"). If and to the extent that due to change in the method of taxation or assessment, any franchise, capital stock, capital gains, rent, income, profit or any other tax or charge shall be substituted in whole or in part for the current ad valorem Taxes now or hereafter imposed upon the Real Estate, such franchise, capital stock, capital gains, rent, income, profit or other tax or charge shall be deemed included in the term "Taxes" for the purposes of this Article;

36.2 The Demised Premises shall be deemed to contain a total floor area of 56,441 square feet and the building of which the Demised Premises form a part ("Building") shall be deemed to contain a total floor area of 278,456 square feet. Tenant's Occupancy Percentage shall be 20.27 percent.

36.3 Adjusted Minimum Rent shall mean the Minimum Rent as increased in accordance with this Article to reflect any increase in Taxes and Building Operating Costs. Tenant shall pay such increases as additional rent as hereinafter provided.

36.4 Taxes. (1) If the Taxes for any Tax Year during the term of this Lease shall be greater than the Real Estate Tax Base, then Tenant shall pay to Landlord, as additional rent, an amount equal to the Occupancy Percentage of such excess.

(2) Upon the issuance by the respective taxing authorities having jurisdiction over the Real Estate of a bill or bills for the Taxes imposed upon the Real Estate for the First Tax Year, Landlord shall submit a copy of such bill or bills to Tenant. Thereafter, on or about each anniversary of said date, Landlord shall submit to Tenant a copy of the latest tax bill or bills for the Taxes for each subsequent Tax Year indicating each change in the Taxes and the effective date of such change together with a statement (the "Tax Statement") which shall indicate the amount, if any, required to be paid by Tenant as additional rent. Within 30 days after the issuance of the Tax Statement, Tenant shall pay the additional rent as set forth therein. Any payments due pursuant to this Article for a period of less than a full Tax Year, either at the commencement or at the end of the term of this Lease, shall be ratably apportioned.

(3) If, at any time after the execution of this Lease, the taxing jurisdiction in which the Real Estate is located should change its method of valuating the Real Estate for the First Tax Year as part of a general revaluation program ("Revaluation"), then, the provisions of Sections 36.1(2) and 36.1(1) above notwithstanding, for purposes of computing the Real Estate Tax Base pursuant to Section 36.1(7) Landlord may, at its option, use one of the following methods:

(a) The Assessed Valuation shall be the amount for which the Real Estate would have been assessed for the First Tax Year if there had been no Revaluation, and the Base Tax Rate shall be as defined in Section 36.1(2) above, or

(b) The Assessed Valuation shall be the actual amount assessed, and the Base Tax Rate shall be the real estate tax rate as subsequently reduced by the taxing jurisdiction in connection with the Revaluation.

Landlord shall inform the Tenant as to which of the above two methods Landlord has elected at such time as Landlord submits the Tax Statement to Tenant.

36.5 Building Operating Costs. (1) Tenant hereby agrees that for each Operating Year during the Term of this Lease for which the total Building Operating Costs (as hereinafter defined) shall exceed the Building Operating Costs for the First Operating Year, Tenant shall pay to Landlord, as additional rent, an amount equal to the Occupancy Percentage of such excess within 30 days after presentation of Landlord's statement (the "Operating

Statement") therefor. Landlord shall present its Operating Statement within 90 days after the commencement of each such Operating Year ("Billing Date"). Tenant shall thereafter, for the balance of that Operating Year and for that portion of the next Operating Year until the Billing Date during such year, make monthly payments of 1/12th of such increase to reflect the change as at the Billing Date, which amounts shall be credited for the account of Tenant against the annual payment due on the succeeding Billing Date. The Operating Statement shall indicate (i) the initial additional amount required to be paid by Tenant as additional rent as in this Article provided; (ii) the Tenant's new Adjusted Minimum Rent; and (iii) the manner in which such adjustment is computed.

(2) The "Building Operating Costs" shall include each and every expense incurred in connection with the ownership, administration, management, operation and maintenance of the Real Estate, including but not limited to, wages, salaries and fees paid to persons either employed by Landlord or engaged as independent contractors in the operation of the Real Estate, and such other typical items of expense as indicated below. All such costs shall be reflected on a comparative statement (the "Statement") which shall be exhibited to the Tenant upon request. Building Operating Costs shall exclude capital expenditures except those which are required by law or which directly reduce or eliminate other Building Operating Costs.

(3) The expenses referred to in this Article shall be determined in accordance with sound accounting principles and each Statement furnished shall be certified by Landlord as true and correct. Tenant or its representatives shall have the right, at its own expense, upon reasonable notice and during reasonable hours, to inspect the books of Landlord for the purpose of verifying the information contained in any Statement, provided prior written request for such inspection shall be made by Tenant within ten days after receipt of such Statement.

(4) Some of the typical items of expense which comprise or may comprise the Building Operating Costs and to be included in the Statement are or may be: (a) General repairs and maintenance; (b) utility costs, including but not limited to, cost of electricity to power HVAC units serving the entire Building (both tenant and common areas), cost of oil or other fuel required to heat the entire Building, cost of electricity to light the common areas; (c) cleaning costs, including but not limited to, window cleaning, general interior office cleaning, cleaning of common areas; (d) service contracts, including but not limited to, contracts for elevator service, HVAC service, rubbish removal, carting, janitorial and watchman services and snow removal; (e) costs of landscaping; (f) cost of insurance; (g) fees and/or salaries of superintendents, engineers, custodians; and (h) towel service for common lavatories.

(5) Anything to the contrary contained in this Article 36 notwithstanding, if the average occupancy of the Building is less than ninety-five (95%) percent during the First Operating Year, then Landlord shall make a determination ("Landlord's Determination") of what the Building Operating Costs for such year would have been if during the entire year the average tenant occupancy of the Building were ninety-five (95%) percent and shall notify Tenant of Landlord's Determination within ninety (90) days following the last day of the First Operating Year. Landlord's Determination, unless otherwise objected to by Tenant in writing

within 30 days after receipt of Landlord's Determination, shall be binding and conclusive upon Tenant and shall for all purposes of this Lease be deemed to be the Building Operating Costs for the First Operating Year. In the event Tenant timely objects to Landlord's determination, representatives appointed by Landlord and Tenant shall mutually agree upon the determination. If such representatives are unable to agree within fifteen (15) days following the date upon which Tenant objects to Landlord's Determination, the matter shall be submitted to arbitration before the Newark office of the American Arbitration Association, the cost of such arbitration to be shared equally by the parties. Thereafter, if for any subsequent Lease year the average tenant occupancy of the Building is below ninety-five (95%), the Building Operating Costs for any such year shall be adjusted by Landlord to the amount that such Building Operating Costs would have been if the average tenant occupancy during that year had been ninety-five (95%) percent.

36.6 If, pursuant to any Tax Statement or Operating Statement showing Taxes or Building Operating Costs for any year subsequent to the First Tax Year or First Operating Year, respectively, there shall be an additional amount payable or a refund due with respect to Taxes and/or Building Operating Costs for the periods covered by such statement(s), the amount payable by the Tenant to the Landlord as additional rent or the amount due to the Tenant as a refund, shall be calculated and paid accordingly. If such calculation takes place and/or any payment in connection therewith becomes payable after the expiration of the term of this Lease, this provision shall be deemed to have survived such expiration. However, it is agreed by the parties that any refund shall not in any way operate to reduce the Minimum Rent.

36.7 Any increase in additional rent under this Article shall be prorated for the final Operating Year if such Operating Year covers a period of less than twelve (12) full months. Tenant's obligation to pay prorated additional rent under this Article for the final Operating Year shall survive the expiration of the term of this Lease.

36.8 In the event that the payment of any sum required to be paid by Tenant to Landlord under this Lease (including, without limiting the generality of the foregoing, Minimum Rent, Adjusted Minimum Rent, or payment made by Landlord under any provision of this Lease for which Landlord is entitled to reimbursement by Tenant) shall become overdue for 15 days beyond the date on which they are due and payable as provided in this Lease, then a delinquency service charge equal to four percent of the amount overdue shall become immediately due and payable to Landlord as liquidated damages for Tenants' failure to make prompt payment. Further, such delinquency service charge shall be payable on the first day of the month next succeeding the month during which such late charges become payable as additional rent. In the event of nonpayment of any delinquency service charges and interest provided for above, Landlord shall have, in addition to all other rights and remedies, all the rights and remedies provided for herein and by law in the case of nonpayment of rent. No failure by Landlord to insist upon the strict performance by Tenant of Tenant's obligations to pay late charges shall constitute a waiver by Landlord of its rights to enforce the provisions of this Section 36.8 in any instance thereafter occurring. The provisions of this Section 36.8 shall not be construed in any way to extend any notice period provided for in this Lease.

37. COMMENCEMENT OF TERM; ESTIMATED  
 COMMENCEMENT DATE; COMMENCEMENT  
 DATE AND TERMINATION DATE; RENT  
 COMMENCING DATE  
 -----

37.1 The parties intend that the Lease shall commence on December 1, 1986 (the "Estimated Commencement Date"). Notwithstanding the above, the commencement date ("Commencement Date") as defined, fixed and ascertained in this Article shall be the date upon which the work required to be performed by the Landlord pursuant to the Work Letter attached hereto as Exhibit "B" (the "work"), shall be substantially completed. The Work shall be deemed to be substantially completed ("Substantial Completion") for all purposes hereunder, on the earlier of the date upon which:

A. (i) Landlord has procured a permanent Certificate of Occupancy, permitting occupancy of the Demised Premises by the Tenant; and (ii) the Landlord's architects or Tenant's consulting professional shall have certified that Landlord has substantially performed the Work. Substantial Completion shall be deemed to have occurred even though minor details of work remain to be done, provided such details do not materially interfere with the Tenant's use of the Demised Premises,

or

B. Tenant shall have taken possession of all or any part of the demised Premises. (Tenant shall not be deemed to have taken possession for purposes of this subsection of Tenant, with Landlord's prior consent, has relocated minor supply items to the Demised Premises prior to substantial completion as defined in "A", above),

or

C. May 1, 1987.

37.2 On or after determination of the Commencement Date as above provided, Landlord shall deliver to Tenant a notice ("Commencement Date Notice") fixing the Commencement Date and termination date which shall be a date fifteen (15) years after the Commencement Date ("Termination Date").

37.3 The date upon which Tenant's obligation for the payment of the Minimum Rent hereunder shall commence ("Rent Commencement Date") shall be deemed to be the Commencement Date.

37.4 If, prior to the Commencement Date, Tenant shall enter the Demised Premises to make any installations of its equipment, fixtures and furnishings, Landlord shall have no liability or obligation for the care or preservation of Tenant's property.

37.5 Landlord agrees to provide access to the telephone company during the course of construction, to permit Tenant's installations of the telephones. However, the parties agree that the failure of the telephone company to complete the telephone installation and to provide service shall not delay or defer the determination of the Commencement Date or the Rent Commencement Date and the obligation of tenant to pay rent therefrom. Landlord represents that the Building is properly constructed to accommodate the installation of standard telephone equipment.

37.6 Anything contained in this Article 37 to the contrary notwithstanding, if for any reason the Premises are not

ready for occupancy on the Estimated Commencement Date, this Lease shall nevertheless continue in full force and effect; the Commencement Date shall be postponed until substantial completion has occurred and the Rent Commencement Date shall be postponed for a like number of days. The Termination Date shall be adjusted to provide the full term set forth in Section 37.2 hereinabove.

### 38. LANDLORD'S WORK; LANDLORD'S WORK LETTER

38.1 Annexed hereto as Exhibit "B" and made a part hereof is Landlord's work letter (the "Work Letter"). Tenant agrees that it shall either approve Landlord's drawings or provide to Landlord for the approval and acceptance of Landlord on or before the 8th day of October, 1986, such information as required by Landlord for Landlord to prepare drawings for Tenant's layout, partitioning, electrical, reflecting ceiling and other installations. Landlord shall furnish and install in accordance with such drawings, so much of the work required by Tenant by the above drawings as allowed by Landlord's Work Letter at no additional cost to Tenant. To the extent Tenant's drawings require work, the cost of which is not contemplated by the Work Letter, such work ("Extras") shall be reduced to an "Extra or Change Order" to be executed by both Landlord and Tenant, which shall indicate the work required, the cost thereof, and the additional time required, if any, for completion. Tenant shall be responsible for any delays in completing the Demised Premises by reason of Tenant's failure to furnish Landlord with the requisite approvals and drawings.

### 39. HEATING, AIR-CONDITIONING AND VENTILATION; LEGAL HOLIDAYS; "AFTER HOURS"

39.1 Notwithstanding the provisions of subsections (b) and (e) of Article 28 of this Lease, but subject to all of the other terms, covenants and conditions of said Article 28, Landlord shall provide and furnish appropriate heat, air-conditioning or ventilation to the Demised Premises between the hours of 8:00 A.M. and 6:00 P.M., Monday through Friday, other than Legal Holidays (which are listed on Exhibit "E"), attached to this Lease.

39.2 At all other times not otherwise provided for in Section 39.1 above, Landlord agrees that it shall, upon prior written request from Tenant, provide after-hours air-conditioning, ventilation or heating, as the case may be, for which Tenant shall pay to Landlord as additional rent hereunder, a sum equal to \$100.00 per hour for providing heat, and \$100.00 per hour for providing air-conditioning, that being intended to cover Landlord's cost for the power or fuel required to provide the same. In the event that during the term of this Lease, or any renewal hereof, the Landlord's cost for providing after-hours heating or air-conditioning shall increase by virtue of utility rate increases or unit fuel cost increases, the above-specified hourly charges shall be adjusted from time to time to reflect said increases. In addition to the foregoing, should there be any charges incurred by Landlord for additional attendant engineers or similar additional requirements as may be imposed from time to time by the State Labor Department, local authorities, union requirements, or the like, Tenant agrees to reimburse Landlord for its out-of-pocket expenses incurred in connection therewith, related to the after-hours use by Tenant.

## 40. ELECTRIC CURRENT

40.1 Landlord's obligation to supply current shall be limited to the current required to power the Building standard heating, ventilation and air-conditioning systems and the power for and lighting of common areas.

40.2 Tenant shall arrange to purchase and pay for all of the electric current requirements for light and power used in connection with Tenant's operations within the Demised Premises. Landlord, at Landlord's cost, shall furnish and install an electric meter for the measurement of the consumption of Tenant's electric current as herein provided.

40.3 At the request of Landlord, prior to occupancy of the Demised Premises, Tenant shall execute any and all applications for service, or forms required by the local utility company supplying electric current to the Building for the metering of all electric current and power required for the operation of the electrical equipment of any nature whatsoever and lights within or serving the Demised Premises.

40.4 As an alternative to the obligations of Landlord and Tenant as set forth in Sections 40.1 and 40.2 above, Landlord may elect, at its option, to meter and furnish the electric current to the entire floor of which the Premises forms a part, in which case Tenant shall pay as additional rent Tenant's share of Landlord's costs therefor. Tenant's share of costs under this Section 40.4 shall be based upon a percentage which the area of the Premises bears to the total floor area on which the Premises are located. Tenant, at its option, may in the alternative, install a separate electric meter and, in such event, Tenant shall pay its own electric costs directly to the utility company serving the Premises and the provisions of Sections 40.1 and 40.2 shall thereupon apply hereunder.

## 41. LIABILITY INSURANCE

41.1 Tenant agrees to provide on or before the Commencement Date a Certificate of Insurance confirming to Landlord insurance coverage under a comprehensive general liability policy to confirm, among other things, (i) personal injury coverage, and (ii) coverage for Tenant's contractual duty of indemnification under this Lease in an amount not less than \$1,000,000.00 combined single limit per occurrence and containing a provision that such insurance shall not be cancelled except upon 90 days' prior written notice to Landlord.

## 42. FIRE INSURANCE - WAIVER OF SUBROGATION

42.1 Landlord and Tenant each hereby releases the other, its respective officers, directors, employees and agents from any and all liability or responsibility to the other or anyone claiming through or under either of them by way of subrogation or otherwise, for any loss or damage to property caused by fire or any of the extended coverage casualties, even if such fire or other casualty shall have been caused by the fault or negligence of the other party or anyone for whom such party may be responsible. Landlord agrees that it shall carry and maintain in force and effect at all times during the term of this Lease a Standard Fire Insurance policy with Standard Extended or

Additional Extended Coverage and vandalism and malicious mischief endorsements. Tenant shall maintain a Standard Fire Insurance policy with the aforesaid Extended Coverage and vandalism endorsements covering the replacement value of all Tenant's personal property, equipment and improvements located in the Demised Premises.

#### 43. PARKING FACILITIES

43.1 So long as Tenant is not in default under this Lease, Landlord hereby grants to Tenant the license (the "License") to park 158 cars ("Allotted Parking"), for use solely by Tenant and Tenant's employees, guests and invitees in the parking area or areas serving the Building (the "Designated Parking Area").

43.2 In the event Tenant, its employees, licensees or invitees shall use any more than the Allotted Parking on three or more occasions during the term of this Lease after notice from Landlord, Landlord may immediately suspend or revoke the License. Landlord shall not be responsible to Tenant for enforcing the License or for violation of the License by other tenants of the Building, by third parties, or guests or visitors to the Building.

43.3 In the event the number of parking spaces in the Designated Parking Area is reduced by circumstances beyond the control of Landlord, the Allotted Parking shall be reduced proportionately.

#### 44. ACCESS AND COMMON AREAS

44.1 Anything to the contrary contained in this Lease notwithstanding, Landlord and all tenants, including Tenant hereunder, of this Building, shall have a mutual right of access for purposes of emergencies relating to the Building and its occupants through such areas where the same may be required including the Demised Premises and the demised premises of any other tenant in the Building.

44.2 Tenant shall have the right of nonexclusive use, in common with others, of (a) automobile parking areas and driveways (subject to Article 43 hereof); (b) footways, and (c) such elevator and other facilities as may be constructed and designated from time to time by Landlord in the Building, all to be subject to the terms and conditions of the Lease and to reasonable rules and regulations for the use thereof as prescribed from time to time by Landlord.

#### 45. INTENTIONALLY DELETED

#### 46. BROKER

46.1 Tenant represents that Peregrine White Company, Inc. is the only real estate broker responsible for bringing about, or negotiating, this Lease and said broker is the only broker with whom it has dealt in connection with the Demised Premises.



46.2 In reliance upon the foregoing representation, Landlord agrees to pay a commission to said broker in accordance with a separate agreement between them, and Tenant agrees to defend, indemnify and hold harmless the Landlord, its affiliates and/or subsidiaries from any expense or liability (including attorney's fees) arising out of any claim for commission by any other broker claiming or alleging to have acted on behalf of or to have dealt with Tenant.

#### 47. CLEANING SERVICES

47.1 Landlord shall provide services for maintenance of the grounds, common areas and parking areas and such other cleaning services within the Demised Premises as are set forth on the "Cleaning Service Rider" annexed hereto and made a part hereof as Exhibit "D".

#### 48. ASSIGNMENT AND SUBLETTING

48.1 Supplementing the provisions of Article 11, and except as provided in Section 48.8 if the Tenant shall desire to assign this Lease, sublet or underlet all or any portion of the Demised Premises, it shall first submit in writing to the Landlord a notice setting forth in reasonable detail:

(a) the identity and address of the proposed assignee or sublessee;

(b) in the case of a subletting, the terms and conditions thereof;

(c) the nature and character of the business of the proposed assignee or sublessee and its proposed use for the Demised Premises;

(d) evidence that the proposed assignee or sublessee is a United States citizen or citizens or a corporation qualified to do business in the State of New Jersey and organized and existing under the laws of one of the States of the United States;

(e) banking, financial and other credit information relating to the proposed assignee or sublessee reasonably sufficient to enable Landlord to determine the proposed assignee's or sublessee's financial responsibility; and

(f) in the case of a subletting of only a portion of the Demised Premises, plans and specifications for Tenant's layout, partitioning, and electrical installations for the portion of the Demised Premises to be sublet.

48.2 If the nature and character of the business of the proposed assignee or sublessee, and the proposed use and occupancy of the Demised Premises, or any portion thereof, by the proposed assignee or sublessee, is in keeping and compatible with the dignity and character of the Building, then, subject to compliance with the requirements of Article 11 and this Article 48, anything to the contrary in Article 11 notwithstanding, Landlord agrees not unreasonably to withhold or delay its consent to any such proposed

assignment or subletting, provided that Tenant shall, by notice in writing as described in Section 48.1, advise Landlord of its intention to assign this lease or to sublease all or any part of the Demised Premises, from, on and after a stated date (which shall not be less than 60 days after date of Tenant's notice), in which event Landlord shall have the right, to be exercised by giving written notice to Tenant within 30 days after receipt of Tenant's notice, to recapture the space described in Tenant's notice. Such recapture notice shall, if given, cancel and terminate this Lease with respect to the space therein described as of a date which shall be the later of 30 days following the date set forth in Tenant's notice, or 30 days after Tenant shall have surrendered possession of the Demised Premises. In the event less than all of the Demised Premises are recaptured, Landlord shall construct and erect such partitioning as may be required to separate the space retained by Tenant from the space recaptured. The cost of any such partitioning shall be borne fully and exclusively by Tenant, shall constitute additional rent hereunder and shall be payable to Landlord within 20 days following a statement from Landlord for the amount thereof.

48.3 If this Lease is cancelled pursuant to the foregoing with respect to less than the entire Demised Premises, the Minimum Rent and/or the Adjusted Minimum Rent and Tenant's Occupancy Percentage shall be adjusted on the basis of the number of square feet retained by Tenant in proportion to the number of square feet originally demised under this Lease, and this Lease, as so amended, shall continue thereafter in full force and effect.

48.4 In addition to the foregoing requirements: (a) no sublease shall result in an occupancy of the Demised Premises by more than two tenants, including the Tenant hereunder, provided that subleases to affiliates of Tenant shall be permitted to result in an occupancy of the Demised Premises of up to six tenants including Tenant hereunder, (b) no sublease, other than subleases to affiliates of Tenant, shall be for a term of less than two years, unless the unexpired term of this Lease shall be less than two years at the commencement of the sublease, (c) no assignee or sublessee shall be an existing tenant of or any party then negotiating for space in the Building, or any other building in the office park of which the Building is a part (i) owned by Landlord, Bellemead Development Corporation ("Bellemead") or any partnership in which Bellemead or an affiliate of Bellemead is a partner or (ii) managed by Bellemead or an affiliate of Bellemead ("Affiliated Building"), (d) no sublease shall result in the occupancy of less than 5000 square feet of space, provided that subleases to affiliates of Tenant shall be permitted to result in an occupancy of not less than 2000 square feet of space, (e) Tenant shall not be in material default under any of the terms and conditions of this Lease at the time of any notice or request for consent under the terms of this Article or at the effective date of such assignment or subletting and (f) no subletting or assignment other than subleases to affiliates of Tenant shall be for a rental rate less than that currently being charged by Landlord for comparable space in the Building or any Affiliated Building (the "Going Rate"); in the event Landlord shall notify Tenant of its Going Rate upon request from Tenant, Tenant shall be permitted to rely on such rate solely for purposes of this subsection (pound sterling) for a time period not to exceed sixty (60) days following such notice. Furthermore, anything to the contrary in Section 48.2 notwithstanding, Landlord shall not consent to any sublease unless Tenant agrees at the time of the proposed sublease and in the Tenant's notice required in Section 48.2 to pay over to

Landlord fifty (50%) percent of all rents (of whatever nature) payable by the prospective sublessee to Tenant pursuant to such sublease which exceeds the pro rata share of the then Adjusted Minimum Rent allocable to the sublease premises payable by Tenant hereunder.

48.5 Any sublease must provide (a) it shall be subject and subordinate to all of the terms and conditions of this Lease, (b) that notwithstanding Article 2 hereof, the use of the Demised Premises thereunder shall be restricted exclusively to executive and administrative office use, (c) that the term thereof shall not extend beyond a date which is one day prior to the expiration date of the then current Initial Term or Renewal Term hereof, (d) no sublessee shall be permitted to further sublet all or any part of the Demised Premises without first complying with each and every requirement of this Article 48 and without obtaining Landlord's prior written consent which shall not otherwise be unreasonably withheld or delayed, and (e) in the event of cancellation or termination of this Lease for any reason whatsoever or of the surrender of this Lease whether voluntary, involuntary or by operation of law, prior to the expiration date of such sublease, including extensions and renewals granted thereunder, that, at Landlord's option, the subtenant shall make full and complete attornment to Landlord for the balance of the term of the sublease, which attornment shall be evidenced by an agreement in form and substance satisfactory to Landlord which the subtenant shall execute and deliver at any time within five days after request by Landlord, its successors and assigns. The subtenant shall waive the provisions of any law now or hereafter in effect which may give the subtenant any right of election to terminate the sublease or to surrender possession of the Premises in the event any proceeding is brought by Landlord to terminate this Lease.

48.6 Each of the following events shall be deemed to constitute an assignment of this Lease and shall require the prior written consent of Landlord in each instance:

- (a) Any assignment or transfer of this Lease by operation of law;
- (b) Any hypothecation, pledge or collateral assignment of this Lease;
- (c) Any involuntary assignment or transfer of this Lease in connection with bankruptcy, insolvency, receivership or otherwise;
- (d) Any assignment, transfer, disposition, sale or acquiring of a controlling interest in Tenant to or by any person, entity or group of related persons or affiliated entities, whether in a single transaction or in a series of related or unrelated transactions; and
- (e) Any issuance of an interest or interests in Tenant (whether stock, partnership interests or otherwise) to any person, entity or group of related persons or affiliated entities, whether in a single transaction or in a series of related or unrelated transactions, such that following such issuance, such person, entity or group shall hold a controlling interest in Tenant.

For purposes of the immediately preceding sentence, a "controlling interest" of Tenant shall mean fifty (50%) percent or more of the aggregate issued and outstanding equitable interests (whether stock, partnership interests or otherwise) thereof.

48.7 Any provision of Article 11 and sections 48.1, 48.2 and 48.6 to the contrary notwithstanding, but subject to Sections 48.3, 48.4, 48.5 and 48.8:

(a) Any corporate Tenant shall have the right, without the consent of Landlord, to assign this Lease or sublet all or any part of the Demised Premises to any corporation controlling, controlled by or under common control with Tenant, provided that no such assignee shall further assign this Lease and no such sublessee shall assign or encumber its sublease or further sublet all or any part of the Demised Premises to any person other than a corporation controlling, controlled by or under common control with Tenant, except in accordance with the provisions of Article 11 and this Article 48, and provided, further, that any event resulting in such assignee or sublessee ceasing to be a corporation controlling, controlled by or under common control with Tenant shall be deemed to be an assignment of this Lease requiring the prior consent of Landlord, and Tenant shall thereupon be required to comply with all provisions of Article 11 and this Article 48 applicable thereto. For purposes of the immediately foregoing, "control", means ownership of at least eighty (80%) percent of the issued and outstanding voting stock of such corporation.

(b) Any corporate Tenant shall also have the right, without the consent of Landlord, to assign this Lease to any corporation succeeding to Tenant by merger or consolidation in accordance with applicable statutory provisions for merger or consolidation of corporations or by purchase of all or substantially all of Tenant's assets, provided that immediately after such merger, consolidation or purchase, the shareholders' equity (capital stock, additional paid-in capital and retained earnings) of the successor corporation or the purchasing corporation, as the case may be, shall at least equal the shareholders' equity of Tenant immediately prior to such merger, consolidation or purchase and shall be so certified by the chief financial officer of the assignee. Effective upon the making of an assignment permitted under the immediately preceding sentence, the assignor shall be released from further liability under this Lease.

It is Landlord's intent to permit assignment of this Lease and subletting pursuant to this Section 48.7 exclusively as an accommodation to the bona fide and legitimate business needs of Tenant, and notwithstanding the provisions hereof, no assignment of this Lease or sublease of the Demised Premises without Landlord's consent hereunder shall be permitted where the sole or primary purpose of such assignment or subletting is to permit occupancy of the Demised Premises by a third party in avoidance of Landlord's consent, or in the case of a corporation's purchasing all or substantially all of Tenant's assets where this Lease constitutes all or a substantial portion of such assets.

Tenant shall promptly give Landlord prior notice of any assignment of this Lease or subletting permitted under this Section 48.7, accompanied by all documentation required to establish compliance with the requirements of subsections (a) and (b) above and shall also promptly provide Landlord with a copy of any executed instrument of merger, consolidation or assignment or the executed sublease, as the case may be.

48.8 It is a condition to the effectiveness of any assignment otherwise complying with Article 11 and this Article 48 that the assignee execute, acknowledge and deliver to Landlord an agreement in form and substance satisfactory to Landlord whereby the assignee assumes all obligations of Tenant under this Lease, and agrees that the provisions of Article 11 and this Article 48 shall continue to be binding upon it in respect of all future assignments and deemed assignments of this Lease. No assignment of this Lease shall release the assignor from its continuing obligations to Landlord under this Lease, except as expressly herein provided, and Tenant and any subsequent assignor shall continue to remain jointly and severally liable (as primary obligor) for all Tenant's obligations hereunder.

48.9 Tenant shall be responsible for obtaining all permits and approvals required by any governmental or quasi-governmental agency for any work or otherwise required in connection with any assignment of this Lease or any sublease, and Tenant shall deliver copies of the same to Landlord prior to the commencement of work if work is to be done. Tenant is furthermore responsible for and is required to reimburse Landlord for all costs including legal fees which Landlord incurs in reviewing any proposed assignment of this Lease or any sublease and any permits, approvals and applications for the construction within the Demised Premises. Tenant's failure to obtain any of the above-mentioned permits and approvals or to submit same and a duplicate original counterpart of the assignment or sublease to Landlord within five days of the date of issuance or execution of such item(s) shall constitute a default under this Lease.

48.10 If Landlord reasonably withholds its consent of any proposed assignment or sublease, or if Landlord exercises its recapture option under Section 48.2, Tenant shall indemnify, defend and hold harmless Landlord against and from all loss, liability, damage, cost and expense (including reasonable attorneys' fees and disbursements) resulting from any claims that may be made against Landlord by the proposed assignee or sublessee or by any brokers or other persons claiming a commission or similar compensation in connection with the proposed assignment or sublease.

48.11 If Landlord consents to any proposed assignment or sublease and Tenant fails to consummate the assignment or sublease to which Landlord consented within 45 days after the giving of such consent, Tenant shall be required again to comply with all of the provisions and conditions of this Article 48 before assigning this Lease or subletting all or part of the Demised Premises.

48.12 Tenant, its sublessees, and their respective successors and assigns acknowledge and agree that the restriction that Landlord's consent to a proposed assignment of this Lease or to a subletting under certain circumstances shall not be unreasonably withheld and shall not be intended or construed as an agreement or covenant on the part of the Landlord, but rather as a qualification on Tenant's covenant not to assign this Lease or

sublet, and they further agree that under no circumstances shall Landlord be liable in damages or subject to liability of any other kind or nature whatever by reason of Landlord's failure or refusal to grant its consent to any proposed assignment of this Lease or subletting of the Demised Premises, the sole and exclusive recourse being a declaratory judgment on the question of Landlord's reasonableness.

48.13 The joint and several liability of the named Tenant and any immediate or remote successor in interest of the named Tenant for the due performance and observance of all covenants and conditions to be performed and observed by Tenant shall not be impaired by any agreement of Landlord extending the time for such performance or observance or by Landlord's waiving or failing to enforce any provision of this Lease.

#### 49. TENANT'S COOPERATION; REASONABLE MODIFICATION; ESTOPPEL CERTIFICATE

49.1 If, in connection with obtaining financing for the Building and/or the Real Estate, or otherwise upon the interest of the Landlord, as lessee, under any ground or underlying lease, any lending institution shall request reasonable modifications of this Lease as a condition of such financing, Tenant covenants not unreasonably to withhold or delay its agreement to such modification, upon Landlord's request, provided that such modification does not materially or adversely affect the rights of Tenant under this Lease.

49.2 Tenant agrees at any time and from time to time, upon not less than ten days' prior written request, that Tenant shall execute, acknowledge and deliver to Landlord, or its designee, a statement in writing certifying: that this Lease is unmodified and is in full force and effect (or if there have been modifications, the specifics thereof and that the Lease is in full force and effect as modified); the dates to which the Minimum Rent (or Adjusted Minimum Rent) and additional rent have been paid; and the amount of all rents paid in advance, if any. It is intended hereby that any such statement delivered pursuant to this Article may be relied upon by a prospective purchaser of the Landlord's interest or a mortgagee of Landlord's interest, or any assignee of any mortgage upon Landlord's interests in the Real Estate. The foregoing obligation shall be deemed a substantial obligation of the tenancy, the breach of which shall give Landlord those remedies herein provided for an event of default.

#### 50. LIMITATION OF LIABILITY; DEFINITION OF "LANDLORD"

50.1 Notwithstanding anything to the contrary herein provided, each and every term, covenant, condition and provision of this Lease is hereby made specifically subject to the provisions of this Article 50. The term "Landlord" as used in this Lease means only the owner or lessor for the time being of the Building, so that in the event of any conveyance of such interest and the transfer to the transferee of any funds then being held under this Lease by such owner, Landlord shall be and hereby is entirely freed and relieved of any and all obligations of Landlord hereunder thereafter accruing, and it shall be deemed without further agreement between the parties and such grantee(s) that the grantee has assumed and agreed to observe and perform all

obligations of Landlord hereunder. It is specifically understood and agreed that notwithstanding anything to the contrary herein provided or otherwise provided at law or in equity, there shall be absolutely no personal liability in excess of its interest in the Real Estate to the Landlord or any successor in interest thereto (whether the same be an individual, joint venture, tenancy in common, firm or partnership, general, limited or otherwise) or on the part of the members of any firm, partnership or joint venture or other unincorporated Landlord with respect to any of the terms, covenants and/or conditions of this Lease; in the event of a breach or default by Landlord, or any successor in interest thereof, of any of its obligations under this Lease, Tenant shall look solely to the then Landlord for the satisfaction of each and every remedy of Tenant, such exculpation of personal and additional liability which is in excess of such interest in the Real Estate to be absolute and without any exception whatsoever.

51. STATUTORY WAIVER; NOTICE BY TENANT

51.1 Tenant waives the benefit of New Jersey Revised Statutes, Title 46, Chapter 8, Sections 6 and 7. Tenant agrees that it will not be relieved of the obligations to pay the Minimum Rent, Adjusted Minimum Rent or any additional rent in case of damage to or destruction of the Building, except as provided in Article 9 of the printed portion of this Lease.

51.2 Tenant shall give Landlord immediate notice in case of fire or accident within the Demised Premises, or, within the Building if involving Tenant, its servants, agents, employees, invitees or licensees.

52. CORPORATE AUTHORITY

52.1 Tenant represents that the officer(s) executing and delivering this Lease has (have) been duly authorized to enter into this Lease and that the execution and delivery of this Lease by Tenant do not and shall not violate any provision of any by-law, agreement, order, judgment, governmental regulation or any other obligation to which Tenant is a party or is subject.

52.2 Upon execution hereof, Tenant shall deliver an appropriate certification by its secretary and assistant secretary to the above effect.

53. PERSONAL PROPERTY TAXES

53.1 Tenant agrees to pay all taxes imposed on the personal property of Tenant in connection with its use and occupancy of the Demised Premises, and to hold Landlord harmless therefrom.

54. BUILDING CHANGES

54.1 This Lease shall not be affected or impaired by any change to any lawns, sidewalk or streets adjacent to or around the Building, except as provided in the provisions of this lease Dealing with condemnation.

## 55. HOLDING OVER

55.1 If Tenant holds over in the Demised Premises beyond the Termination Date or prior expiration of the term hereof. Tenant shall become a tenant from month-to-month at one and one-half times the Adjusted Minimum Rent then payable hereunder and otherwise upon all the other terms and conditions of this Lease, and shall continue to be such month-to-month tenant until such tenancy shall be terminated by Landlord or such possession shall cease. Nothing contained in this Lease shall be construed as a consent by Landlord to the occupancy or possession by Tenant of the Premises beyond the Termination Date or prior expiration of the term hereof shall be entitled to the benefit of all legal remedies that now may be in force or may be hereafter enacted for summary possession of the Demised Premises.

## 56. RESTRICTIVE COVENANT - FOOD SERVICE

56.1 Tenant hereby covenants and agrees (anything to the contrary contained in this lease, notwithstanding) that it shall not use the Demised Premises or any portion thereof, for the service of food to the public, nor shall it maintain any facilities for the sale or consumption of food to and by the public without, in each case, obtaining the prior written consent of the Landlord. The consent of the Landlord required hereunder shall be given solely in the discretion of the Landlord. Notwithstanding the above, Tenant shall be permitted to maintain lunchrooms for its executives and employees on the premises.

56.2 Landlord represents to Tenant, and Tenant acknowledges, that pursuant to agreements made or to be made by and between the Landlord and third parties for the operation of a restaurant, cafeteria, coffee-cart and similar food services for this Building and/or other buildings in the office park in which this Building is located, no tenant of this Building, including Tenant, or of any other buildings in the office park in which this Building is located shall prepare, contract for, serve or otherwise make available a food service facility in competition with such third parties. Any breach of this restriction by the Tenant shall be deemed a material event of default under the terms of this Lease, and Landlord may, in its discretion, exercise such remedies as it may deem appropriate to terminate this Lease, prevent a violation of this covenant, and recover any damages to which it may be exposed by virtue of a breach by the Tenant.

## 57. NOTICES

57.1 All notices, demands and requests which may or are required to be given by either party hereunder to the other, shall be in writing. All notices, demands and requests by Landlord to Tenant shall be deemed to have been properly given if sent by registered or certified mail, return receipt requested, postage prepaid, addressed to Tenant at:

TENANT: Alexander & Alexander Consulting Group Inc.

Prior to the Commencement Date:  
22-08 Route 208  
Fairlawn, New Jersey 07410



On or after the Commencement Date:  
 125 Chubb Avenue  
 Lyndhurst, New Jersey 07071

with a copy to:

Benjamin B. Gill, Jr., Esq.  
 Vice President and General Counsel  
 Alexander & Alexander Inc.  
 300 East Joppa Road  
 Hampton Plaza  
 Towson, Maryland 20124

or to such other address as Tenant may from time to time designate by notice to Landlord.

All notices, demands and requests by Tenant to Landlord shall be deemed to have been properly given if sent by registered or certified mail, return receipt requested, postage prepaid, addressed to Landlord at:

LANDLORD: Meadowland Associates  
 c/o Bellemead Management Co., Inc.  
 4 Becker Farm Road  
 Roseland, New Jersey 07068

with copies to:

Sanford Grossman, Esq.  
 Simpson Thacher & Bartlett  
 One Battery Park Plaza  
 New York, New York 10004

or to such other address as Landlord may from time to time designate by notice to Tenant.

All notices referred to hereunder shall be deemed given and received two days after the date said notice is mailed by United States registered or certified mail as aforesaid, in any post office or branch post office regularly maintained by the United States Government, unless said notice was personally served upon an officer of Landlord or Tenant, in which case such notice shall be deemed given when delivered.

#### 58. SEVERABILITY OF PROVISIONS

58.1 If any term or provision of this Lease or the application thereof to any party or circumstance shall to any extent be invalid or unenforceable, the remainder of this Lease or the application of such term or provision to parties or circumstances other than those with respect to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and enforced to the fullest extent permitted by law.

#### 59. NO OFFER OR AGREEMENT

59.1 No employee or agent of Landlord, no broker, and no agent of any broker, or any agent or employee of Tenant, other than Tenant's Chief Executive Officer or Chief Operating Officer, has authority to make or agree to make a lease or any other

agreement or undertaking in connection herewith, including, but not limited to the modification, amendment or cancellation of a lease. The mailing or delivery of this document by the Landlord or its agent to Tenant, its agent or attorney shall not be deemed an offer by the Landlord to lease the Demised Premises on the terms herein. This Lease shall not be effective, nor shall Tenant have any rights with respect thereto unless and until Landlord shall accept this Lease and execute and deliver the same to Tenant.

#### 60. RENEWAL OPTION

60.1 Subject to the provisions of Section 60.2 below, Tenant shall have the option to renew this Lease for an additional term of five (5) years (the "Renewal Term"), which Renewal Term shall commence upon the expiration of the term described in Article 37 of this Lease (the "Initial Term"). The terms, covenants and conditions during the Initial Term, including but not limited to the definitions of First Tax Year and First Operating Year as set forth in Article 36 hereof, shall be projected and carried over into the Renewal Term, except as specifically set forth hereinafter.

(a) The Minimum Rent shall be the greater of (i) Market Rent (as defined in clause (b) below) or (ii) the Adjusted Minimum Rent as of the last day of the Initial Term.

(b) "Market Rent" shall mean the fair market rent for the Demised Premises, as of the date 180 days prior to the expiration of the Initial Term (the "Determination Date"), based upon the rents generally in effect for comparable office space in the area in which the Real Estate is located (as such space is then being offered with a standard work letter). Market Rent (for the purposes of determining the Minimum Rent only during the Renewal Term) shall be determined on what is commonly known as a "gross" basis; that is, in computing Market Rent it shall be assumed that all real estate taxes and customary services are included in such additional charges. Notwithstanding the foregoing, the Minimum Rent for the Renewal Term shall be thereafter increased from time to time as provided in this Lease, and the First Tax Year and First Operating Lease Year for the Renewal Term shall be defined as provided in Article 36 hereof.

(c) Landlord shall notify Tenant ("Landlord's Determination Notice") of Landlord's determination of the Market Rent within 60 days of the Determination Date. If Tenant disagrees with Landlord's determination, Tenant shall notify Landlord ("Tenant's Notice of Disagreement") within fifteen (15) days of receipt of Landlord's Determination Notice. Time shall be of the essence with respect to Tenant's Notice of Disagreement, and the failure of Tenant to give such notice within the time period set forth above shall conclusively be deemed an acceptance by Tenant of the Market Rent as determined by Landlord and a waiver by Tenant of any right to dispute such Market Rent. If Tenant timely gives its Tenant's Notice of Disagreement, then the Market Rent shall be determined as follows:

Landlord and Tenant shall, within thirty (30) days of the date on which Tenant's Notice of Disagreement was given, each appoint an Appraiser for the purpose of determining the Market Rent. An Appraiser shall mean a duly qualified impartial real estate appraiser having at least 10 years' experience in the area in which the Demised Premises are located. In the event that the two Appraisers so appointed fail to agree as to the Market Rent within a period of 30 days after the appointment of the second Appraiser, such two Appraisers shall forthwith appoint a third Appraiser who shall make a determination within 30 days thereafter. If such two Appraisers fail to agree upon such third Appraiser within 10 days following the last 30 day period, such third Appraiser shall be appointed by a Judge of the Superior Court of the State of New Jersey. Such two Appraisers or three Appraisers, as the case may be, shall proceed with all reasonable dispatch to determine the Market Rent. The decision of such Appraisers shall be final; such decision shall be in writing and a copy shall be delivered simultaneously to Landlord and to Tenant. If such Appraisers fail to deliver their decision as set forth above prior to the commencement of the Renewal Term, Tenant shall pay Landlord the Adjusted Minimum Rent at the rate as of the last day of the Initial Term, until such decision is so delivered. If the Market Rent as determined above is in excess of the actual rent paid, then Tenant, upon demand, shall pay to Landlord the difference between the actual rent paid and the Market Rent from the commencement of the Renewal Term. Landlord and Tenant shall each be responsible for and shall pay the fee of the Appraiser appointed by them respectively, and Landlord and Tenant shall share equally the fee of the third Appraiser.

60.2 Tenant's option to renew, as provided in Section 60.1 above, shall be conditioned upon and subject to each of the following:

(a) Tenant shall notify Landlord in writing of its exercise of its option to renew at least 9 months, but not more than 12 months, prior to the expiration of the Initial Term;

(b) At the time Landlord receives Tenant's notice as provided in (a) above, and at the expiration of the Initial Term, Tenant shall not be in default under the terms or provisions of this Lease and Tenant shall not have subleased any portion of the Demised Premises;

(c) Tenant shall have no further renewal option other than the option to extend for the one Renewal Term as set forth in Section 60.1 above;

(d) This option to renew shall be deemed personal to the Tenant and may not be assigned without the express consent of Landlord;

(e) Landlord shall have no obligation to do any work or perform any services for the Renewal Term with respect to the Demised Premises which Tenant agrees to accept in its then "as is" condition; and

(f) Ten days prior to the commencement of the Renewal Term, Tenant shall deposit with Landlord such additional sums as may be required to increase any Security Deposit than held by Landlord proportionate to the increase in the Minimum Rent.

#### 61. TENANT'S SPECIAL SECURITY

61.1 Supplementing the requirement, if any, of paragraph 33 of the Printed Portion of this Lease, an amount ("Tenant's Special Security") equal to one monthly installment of Minimum Rent shall be deposited by Tenant with Landlord upon the execution of this Lease as security for the faithful performance and observance by Tenant of the term, conditions and provisions of this Lease. Landlord agrees to hold Tenant's Special Security in a money market account at a commercial bank, savings bank or savings and loan institution authorized to do business in the State of New Jersey. Provided Tenant is not then in default in any of its obligations hereunder, Landlord agrees to return Tenant's Special Security, together with all interest earned thereon, upon receipt of the first monthly installment of Minimum Rent due on the Rent Commencement Date.

#### 62. CROSS DEFAULT

62.1 It is acknowledged by the parties hereto that Alexander & Alexander of New York Inc. ("A&A") and 1280 Associates have entered into a lease of even date herewith covering the entire fourth and fifth floors of the office building located at 1280 Wall Street West, Lyndhurst, New Jersey (as such lease may be amended or modified, the "Other Lease"). It is specifically understood and agreed that a default by Tenant under this Lease shall also be deemed a default by A&A under the Other Lease, and that a default by A&A under the Other Lease shall also be deemed a default by Tenant under this Lease.

62.2 It is acknowledged by the parties hereto that A&A and Bellemead Development Corporation, a Delaware corporation ("BDC"), have entered into that certain Agreement of Sublease (the "Sublease") of even date herewith. It is specifically understood and agreed that a default by Tenant under this Lease shall also be deemed a default by A&A under the Sublease, and that a default by A&A under the Sublease shall also be deemed a default by Tenant under this Lease.

#### 63. SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT

63.1 This Lease, including any options for renewal or purchase contained herein or executed in connection herewith, shall be subject and subordinate to any ground lease, underlying lease and/or all mortgages made or given by Landlord, which now or hereafter affect the real property of which the Demised Premises forms a part, and to all renewals, modifications, consolidations, replacements and extensions thereof.

63.2 Landlord shall request from the lessor under any ground or underlying lease and/or mortgagees holding any mortgage affecting the Building or the Demised Premises, an agreement, providing in substance that, notwithstanding any default by the

Landlord under such leases or mortgages, and so long as this Lease is in effect, that:

a) in the event of a default under any lease or mortgage, or should it become necessary to foreclose a mortgage or terminate a lease, the mortgagee or lessor thereunder shall not join the Tenant in any summary or foreclosure proceedings, nor shall Tenant be evicted or its leasehold estate hereunder be disturbed or terminated, so long as Tenant is not in default under any of the terms, covenants and conditions of this Lease;

b) in the event that the holder of such lease or mortgage or any of its successors or assigns, shall hereafter succeed to the interest of the Landlord under this Lease, the lessor or mortgagee shall agree to be bound to the Tenant under all of the terms, covenants and conditions of this Lease, and the Tenant agrees that from and after such event it shall attorn to and recognize such successor as Tenant's landlord under this Lease. Tenant shall execute promptly and deliver any instrument that may be necessary to evidence such attornment within ten days after any such landlord or mortgagee shall give notice and demand to Tenant requesting the execution and delivery of such instrument, accompanied by a draft of the proposed instrument. Should Tenant fail or refuse to do so, Tenant hereby irrevocably appoints Landlord its attorney-in-fact to execute such instrument on behalf of Tenant.

c) upon the attornment provided for above, this Lease shall continue in full force and effect as a lease directly between such successor landlord and the Tenant hereunder, upon and subject to all of the terms, covenants and conditions hereunder. All rights and obligations under this Lease shall continue as though the interest of Landlord had not been terminated. Tenant shall have all of the remedies provided hereunder against any such lessor or mortgagee for the breach of any agreement contained in this Lease that Tenant might have had under this Lease against the Landlord hereunder, as if such lessor or mortgagee had not succeeded to the interest of the Landlord; provided however, that no lessor or mortgagee shall be:

(i) liable for any act or omission of any prior landlord (including the Landlord); or

(ii) subject to any offsets or defenses which the Tenant might have against any prior landlord (including the Landlord); or

(iii) bound by any rent or additional rent which the Tenant might have paid for more than or in advance of the current month to any prior landlord (including the Landlord); or

(iv) liable to Tenant for the return of any security deposit made hereunder, unless such Lessor or Mortgagee shall have actually received the same and shall be entitled to retain and apply the same pursuant to the terms of this Lease; or

(v) bound by any amendment or modification of this Lease made without its consent.

63.3 Tenant hereby agrees that within ten days following request by any such Landlord or by the holder of any mortgage, described in this Article, it shall execute, acknowledge and deliver an agreement in form substantially similar to that described in Section 63.2 of this Article.

63.4 Tenant agrees to provide Landlord upon request, a consolidated balance sheet and profit and loss statement of operations for the most current past year, compiled for the confidential use of Landlord, when required in good faith by Landlord, in connection with a sale of the Building or Demised Premises, mortgage applications, renewals thereof or inquiries by the present mortgagee or future mortgagee.

63.5 Tenant further agrees, within ten days following a request by Landlord, to certify by written instrument duly executed and acknowledged to the Landlord under any ground or underlying lease or the holder of any mortgage, affecting the Building or the Demised Premises or to any prospective purchaser, that this Lease is in full force and effect, or if not, in what respect it is not; that this Lease has not been modified, or, if so, the extent to which it has been modified; that there are no existing defaults hereunder to the best of the knowledge of the party so certifying, or specifying the defaults, if any.

64.0 Notwithstanding any other provision to the contrary herein\*

IN WITNESS WHEREOF, Landlord has signed this Lease and this Rider, and Tenant, by its proper corporate officers, has signed this Lease and this Rider this 7th day of October, 1986.

LANDLORD: MEADOWLANDS ASSOCIATES

By: ARC Meadowlands Associates,  
General Partner

By: ARC Meadowlands, Inc.  
General Partner

WITNESS:

/s/ [Illegible Signature]  
-----

/s/ Michael A. Futterman  
-----  
Michael A. Futterman, President

WITNESS:

/s/ Deborah L. Guinness  
-----

TENANT: ALEXANDER & ALEXANDER  
CONSULTING GROUP INC.

BY: /s/ [Illegible Signature]  
-----  
Title  
Vice President  
Alexander & Alexander Inc.

\*Tenant's execution of this Lease shall be conditional only and subject to ratification by the Board of Directors of its parent corporation, Alexander & Alexander Services Inc. Tenant shall advise Landlord of its parent company's ratification in writing on or before November 30, 1986.

## [BELLEMEAD MANAGEMENT CO., INC. LETTERHEAD]

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED  
P. 271 732 791

April 10, 1987

Alexander & Alexander Consulting Group, Inc.  
22-08 Route 208  
Fairlawn, New Jersey 07410

RE: Commencement Notice  
Leased Premises - 125 Chubb Avenue  
Lyndhurst, New Jersey/56,441 square feet  
-----

Gentlemen:

In accordance with the terms of the Lease, the First Amendment of Lease and by mutual consent, the Lease will commence May 1, 1987 and terminate fifteen (15) years thereafter on April 30, 2002.

Commencing May 1, 1987 and continuing through April 30, 1992, the Minimum Annual Rent will be \$1,241,702.00, payable in equal monthly installments of \$103,475.17. Effective May 1, 1992 and continuing through April 30, 1997, the Minimum Annual Rent shall be \$1,552,127.50, payable in equal monthly installments of \$129,343.96. Beginning on May 1, 1997 and ending on the Termination Date, the Minimum Annual Rent for the premises shall be the greater of A) Market Rent, as determined pursuant to Article 60, Section 60.1(b), provided that, the determination date for the Market Rent shall be 180 days prior to May 1, 1997 (on or about October 31, 1996), or B) the Adjusted Minimum Rent as of April 30, 1997.

Since we do not invoice the monthly rent, please advise your Accounts Payable department to forward the rent, due the first of each month directly to "Bellemead, As Agent Meadowlands Associates", c/o Bellemead, 4 Becker Farm Road, Roseland, New Jersey 07068.

We acknowledge receipt of Tenant's Special Security in the amount of \$103,475.17, the terms of which may be found in Article 61 of the Lease.

April 10, 1987

If you are in agreement with the above, please sign and return to my attention, the enclosed copy of this letter. The original should be attached to and made part of the Lease.

Very truly yours,

BELLEMEAD MANAGEMENT CO., INC.  
Managing Agent for  
Meadowlands & Associates

/s/ Cheryl Hardt  
-----

Cheryl Hardt  
Assistant Vice President

CH:nvr  
Enclosure

AGREED TO AND ACCEPTED: Alexander & Alexander Consulting Group, Inc.  
-----

BY: /s/ Donald Cleveland  
-----

DATE: 4/15/87  
-----

cc: S. Grossman, Esq.  
B. Gill, Jr., Esq.  
S. Kative  
B. Brodbeck  
K. Defina  
B. Donaleski  
C. Walsh



## FIRST AMENDMENT TO LEASE

THIS AMENDMENT, is made this 27th day of October, 1986 between MEADOWLANDS ASSOCIATES, a New Jersey limited partnership having an office c/o Bellemead Management Co., Inc., 4 Becker Farm Road, Roseland, New Jersey 07068 (the "Landlord"), and ALEXANDER & ALEXANDER CONSULTING GROUP INC., a New JERSEY corporation, having an address at 22-08 Route 208, Fairlawn, New Jersey 07410 (the "Tenant").

## W I T N E S S E T H

WHEREAS, the Landlord and the Tenant have heretofore entered into a Lease dated October 7, 1986 (the "Lease") for the entire second (2nd) and fifth (5th) floors of the office building located at 125 Chubb Avenue, Lyndhurst, New Jersey 07071; and

WHEREAS, the parties desire to amend the Lease to reflect changes agreed to by the parties subsequent to the date of execution thereof;

NOW THEREFORE, for good and reasonable consideration, receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. Footnote 3 of the Addendum to Printed Portion of Lease is hereby deleted in its entirety and the following Footnote 3 is added in its place:

3. Tenant shall have the option of terminating this Lease upon thirty (30) days' written notice to Landlord in the event Landlord shall not have substantially completed restoration of the Demised Premises as of a date which is 120 days after such fire or casualty provided such fire or casualty destroys 25% or less of the Demised Premises and further provided Tenant submits such notice to Landlord within 150 days after such fire or casualty. If such fire or casualty destroys more than 25% of the Demised Premises, Tenant shall have the option of terminating this Lease only in the event Landlord shall not have substantially completed restoration of the Demised Premises as of a date which is 180 days after such fire or casualty and only in the event Tenant submits such notice to Landlord within 210 days after such fire or casualty.

2. Article 64 of the Rider to Lease is hereby deleted in its entirety.

3. Except as amended hereby, the Lease should remain in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this First Amendment to Lease the day and year first above written.

LANDLORD:

MEADOWLANDS ASSOCIATES

By: ARC Meadowlands Associates, General Partner

By: /s/ Michael Futterman

Title: President

WITNESS:  
/s/ [Illegible Signature]

TENANT:

ALEXANDER & ALEXANDER CONSULTING GROUP INC.

By: /s/ [Illegible Signature]

Title:

WITNESS:  
-----

## MOVADO GROUP, INC.

COMPUTATION OF NET INCOME PER SHARE  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

|   | SIX MONTHS ENDED<br>JULY 31, 1997(*) | THREE MONTHS ENDED<br>JULY 31, 1997(*) |
|---|--------------------------------------|--|
|   | -----                                | -----                                  |
| PRIMARY   |                                      |  |
| Net income.....   | \$ 2,095                             | \$ 2,355                               |
|   | =====                                | =====                                  |
| Weighted average number of common shares outstanding.....   | 11,302                               | 11,302                                 |
| Add common equivalent shares (determined using the<br>"Treasury Stock" Method) representing shares issuable<br>upon exercise of employee stock options..... | 386                                  | 458                                    |
|   | -----                                | -----                                  |
| Weighted average number of shares used in primary net<br>income per share.....  | 11,688                               | 11,760                                 |
|   | =====                                | =====                                  |
| Primary net income per share.....   | \$ 0.18                              | \$ 0.20                                |
|   | =====                                | =====                                  |
| FULLY DILUTED   |                                      |  |
| Net income.....   | \$ 2,095                             | \$ 2,355                               |
|   | =====                                | =====                                  |
| Weighted average number of common shares outstanding.....   | 11,302                               | 11,302                                 |
| Add common equivalent shares (determined using the<br>"Treasury Stock" Method) representing shares issuable<br>upon exercise of employee stock options..... | 583                                  | 583                                    |
|   | -----                                | -----                                  |
| Weighted average number of shares used in fully diluted<br>net income per share.....  | 11,885                               | 11,885                                 |
|   | =====                                | =====                                  |
| Fully diluted net income.....   | \$ 0.18                              | \$ 0.20                                |
|   | =====                                | =====                                  |

-----  
(\*) Share information reflects a three-for-two stock split effective September 20, 1997.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JULY 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

| 3-MOS   | JAN-31-1998 | MAY-01-1997 | JUL-31-1997 |
|---------|-------------|-------------|-------------|
|         |             |             | 1,493       |
|         |             | 0           |             |
|         | 89,549      | 0           |             |
|         | 105,819     |             |             |
|         | 219,559     |             | 16,738      |
|         |             | 0           |             |
|         | 246,302     |             |             |
| 99,585  |             |             | 40,000      |
|         | 0           |             | 0           |
|         |             |             | 113         |
| 246,302 |             |             | 100,292     |
|         |             |             | 56,994      |
|         | 56,994      |             |             |
|         |             |             | 24,768      |
|         |             | 0           |             |
|         | 0           |             |             |
|         | 1,368       |             |             |
|         | 3,141       |             |             |
|         |             |             | 786         |
| 2,355   |             |             |             |
|         | 0           |             |             |
|         | 0           |             |             |
|         |             |             | 0           |
|         | 2,355       |             |             |
|         | .20         |             |             |
|         | .20         |             |             |