

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

FORM 10-Q

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

For the Quarterly Period Ended April 30, 2020

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

For the transition period from _____ to _____

Commission File Number: 1-16497

MOVADO GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

New York
(State or Other Jurisdiction
of Incorporation or Organization)

650 From Road, Ste. 375
Paramus, New Jersey
(Address of Principal Executive Offices)

13-2595932
(IRS Employer
Identification No.)

07652-3556
(Zip Code)

(201) 267-8000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	MOV	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares outstanding of the registrant's Common Stock and Class A Common Stock as of June 3, 2020 were 16,521,046 and 6,608,548, respectively.

Index to Quarterly Report on Form 10-Q
April 30, 2020

	<u>Page</u>
Part I Financial Information (Unaudited)	
Item 1. Consolidated Balance Sheets at April 30, 2020, January 31, 2020 and April 30, 2019	3
Consolidated Statements of Operations for the three months ended April 30, 2020 and April 30, 2019	4
Consolidated Statements of Comprehensive (Loss) Income for the three months ended April 30, 2020 and April 30, 2019	5
Consolidated Statements of Cash Flows for the three months ended April 30, 2020 and April 30, 2019	6
Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3. Quantitative and Qualitative Disclosures About Market Risk	31
Item 4. Controls and Procedures	32
Part II Other Information	
Item 1. Legal Proceedings	33
Item 1A. Risk Factors	33
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	33
Item 5. Other Information	34
Item 6. Exhibits	35
Signature	36

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

MOVADO GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

(Unaudited)

	April 30, 2020	January 31, 2020	April 30, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 187,830	\$ 185,872	\$ 150,712
Trade receivables, net	49,765	78,388	85,715
Inventories	177,832	171,406	178,048
Other current assets	27,049	28,888	32,631
Total current assets	442,476	464,554	447,106
Property, plant and equipment, net	26,934	29,238	26,065
Operating lease right-of-use assets	86,444	89,523	87,353
Deferred and non-current income taxes	67,281	25,403	24,913
Goodwill	—	136,366	135,685
Other intangibles, net	18,272	42,359	46,570
Other non-current assets	56,506	59,865	60,969
Total assets	\$ 697,913	\$ 847,308	\$ 828,661
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable	\$ 19,241	\$ 35,488	\$ 37,477
Accrued liabilities	39,489	44,210	44,886
Accrued payroll and benefits	6,768	6,302	7,185
Current operating lease liabilities	15,053	15,083	13,771
Income taxes payable	13,064	8,217	8,663
Total current liabilities	93,615	109,300	111,982
Loans payable to bank	82,510	51,910	49,060
Deferred and non-current income taxes payable	25,085	25,419	29,071
Non-current operating lease liabilities	78,471	81,877	79,877
Other non-current liabilities	44,721	48,393	65,394
Total liabilities	324,402	316,899	335,384
Commitments and contingencies (Note 11)			
Redeemable noncontrolling interest	2,966	3,165	3,636
Equity:			
Preferred Stock, \$0.01 par value, 5,000,000 shares authorized; no shares issued	—	—	—
Common Stock, \$0.01 par value, 100,000,000 shares authorized; 28,000,364, 27,859,328 and 27,866,510 shares issued and outstanding, respectively	280	279	279
Class A Common Stock, \$0.01 par value, 30,000,000 shares authorized; 6,608,548, 6,603,645 and 6,586,780 shares issued and outstanding, respectively	65	65	65
Capital in excess of par value	210,070	208,473	203,640
Retained earnings	305,486	455,479	430,514
Accumulated other comprehensive income	77,074	85,050	76,337
Treasury Stock, 11,480,231, 11,443,308 and 11,388,021 shares, respectively, at cost	(223,176)	(222,809)	(221,194)
Total Movado Group, Inc. shareholders' equity	369,799	526,537	489,641
Noncontrolling interest	746	707	—
Total equity	370,545	527,244	489,641
Total liabilities, redeemable noncontrolling interest and equity	\$ 697,913	\$ 847,308	\$ 828,661

See Notes to Consolidated Financial Statements

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

	Three Months Ended April 30,	
	2020	2019
Net sales	\$ 69,666	\$ 146,549
Cost of sales	37,773	67,676
Gross profit	31,893	78,873
Selling, general and administrative	58,137	73,899
Impairment of goodwill and intangible assets (Note 6)	155,919	-
Total operating expenses	214,056	73,899
Operating (loss)/income	(182,163)	4,974
Interest expense	(271)	(224)
Interest income	15	21
(Loss)/income before income taxes	(182,419)	4,771
(Benefit)/provision for income taxes (Note 12)	(32,330)	847
Net (loss)/income	(150,089)	3,924
Less: Net loss attributable to noncontrolling interests	(96)	(1)
Net (loss)/income attributable to Movado Group, Inc.	\$ (149,993)	\$ 3,925
Basic (loss)/income per share:		
Weighted basic average shares outstanding	23,141	23,119
Net (loss)/income per share attributable to Movado Group, Inc.	\$ (6.48)	\$ 0.17
Diluted (loss)/income per share:		
Weighted diluted average shares outstanding	23,141	23,452
Net (loss)/income per share attributable to Movado Group, Inc.	\$ (6.48)	\$ 0.17

See Notes to Consolidated Financial Statements

MOVADO GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands)
(Unaudited)

	Three Months Ended April 30,	
	2020	2019
Net (loss)/income	\$ (150,089)	\$ 3,924
Other comprehensive (loss)/income:		
Net unrealized (loss)/gain on investments, net of tax (benefit)/provision of \$(13) and \$0, respectively	(38)	1
Amortization of prior service cost, net of tax provision of \$4 and \$4, respectively	13	13
Foreign currency translation adjustments	(7,951)	(4,184)
Total other comprehensive loss, net of taxes	(7,976)	(4,170)
Less:		
Comprehensive loss attributable to noncontrolling interests:		
Net loss	(96)	(1)
Foreign currency translation adjustments	(64)	(84)
Total comprehensive loss attributable to noncontrolling interests	(160)	(85)
Total comprehensive loss attributable to Movado Group, Inc.	\$ (157,905)	\$ (161)

See Notes to Consolidated Financial Statements

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

	Three Months Ended April 30,	
	2020	2019
Cash flows from operating activities:		
Net (loss)/income attributable to Movado Group, Inc.	\$ (149,993)	\$ 3,925
Adjustments to reconcile net (loss)/income to net cash used in operating activities:		
Impairment of goodwill and intangible assets	155,919	-
Corporate initiatives	7,240	-
Depreciation and amortization	3,885	3,872
Transactional losses/(gains)	625	(232)
Provision for inventories and accounts receivable	468	531
Deferred income taxes	(42,241)	(134)
Stock-based compensation	1,572	1,638
Other	4	199
Changes in assets and liabilities:		
Trade receivables	25,432	(2,567)
Inventories	(10,342)	(14,756)
Other current assets	(1,259)	(4,134)
Accounts payable	(15,655)	(896)
Accrued liabilities	(6,134)	1,294
Accrued payroll and benefits	500	(11,507)
Income taxes payable	4,781	(2,094)
Other non-current assets	(366)	(878)
Other non-current liabilities	(17)	124
Net cash used in operating activities	<u>(25,581)</u>	<u>(25,615)</u>
Cash flows from investing activities:		
Capital expenditures	(926)	(2,204)
Trademarks and other intangibles	(41)	(63)
Net cash used in investing activities	<u>(967)</u>	<u>(2,267)</u>
Cash flows from financing activities:		
Proceeds from bank borrowings	30,879	—
Stock awards and options exercised and other changes	(367)	(1,234)
Stock repurchase	—	(2,616)
Dividends paid	—	(4,591)
Net cash provided by/(used in) financing activities	<u>30,512</u>	<u>(8,441)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(2,007)	(2,889)
Net increase/(decrease) in cash, cash equivalents and restricted cash	1,957	(39,212)
Cash, cash equivalents, and restricted cash at beginning of year	186,438	190,459
Cash, cash equivalents, and restricted cash at end of period	<u><u>\$ 188,395</u></u>	<u><u>\$ 151,247</u></u>
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 187,830	\$ 150,712
Restricted cash included in other non-current assets	565	535
Cash, cash equivalents, and restricted cash	<u><u>\$ 188,395</u></u>	<u><u>\$ 151,247</u></u>

See Notes to Consolidated Financial Statements

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

NOTE 1 – BASIS OF PRESENTATION

The accompanying interim 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 annual audited Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended January 31, 2020 (the “2020 Annual Report on Form 10-K”). The unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the unaudited Consolidated Financial Statements and the reported amounts of revenues and expenses during the periods reported. Actual results could differ from those estimates. In the opinion of management, the accompanying unaudited Consolidated Financial Statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair statement of the financial position and results of operations for the periods presented. The consolidated balance sheet data at January 31, 2020 is derived from the audited annual financial statements, which are included in the Company’s 2020 Annual Report on Form 10-K and should be read in connection with these interim unaudited financial statements. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the full year.

NOTE 2 – IMPACT OF THE COVID-19 PANDEMIC

In December 2019, COVID-19 emerged and subsequently spread worldwide. The World Health Organization declared COVID-19 a pandemic in March 2020, resulting in federal, state and local governments and other authorities mandating various restrictions, including travel restrictions, quarantines and other social distancing requirements. In response to the outbreak, in mid-March 2020, the Company and the majority of the Company’s wholesale customers temporarily closed all of their retail stores for an indefinite period of time due to health concerns associated with COVID-19.

As the full magnitude of the effects on the Company’s business is difficult to predict at this time, the COVID-19 pandemic has had, and is expected to continue to have, a material adverse impact on the Company’s business, financial condition, result of operations and cash flows for the foreseeable future. The Company believes that cash flows from operations and its credit lines and on-hand cash provide adequate funds to support its operating, capital and debt service requirements for the next twelve months subsequent to the issuance of these financial statements.

The Company amended its revolving credit facility to modify some of its financial covenants (see Note 8 - Debt and Lines of Credit). As a result, the Company expects to maintain compliance with the covenants for at least one year from the issuance of these financial statements based on the Company’s current expectations. As the ongoing public health impact and the associated containment and remediation efforts related to the COVID-19 pandemic is complex and rapidly evolving, the Company’s plans as described below may change.

The Company has taken steps to further strengthen its financial position and balance sheet, and to maintain financial liquidity and flexibility, including suspending the Company’s share repurchase program and reviewing and reducing operating expenses. In addition, the Company borrowed an additional \$30.9 million under its revolving credit facility in March of 2020. For additional information see Note 8 - Debt and Lines of Credit. The Company did not declare a dividend for the first quarter of fiscal 2021.

The Company is currently negotiating rent deferrals or other arrangements in respect of its rent obligations beginning with the month of April for all of its Company Stores and certain other leases. Since these negotiations are ongoing with no formal agreements in place, with the exception of its warehouse in Hong Kong, the Company accrued for the April payments.

During the first quarter of fiscal 2021, the Company recorded \$7.2 million of corporate initiative costs which includes charges related to the impact on its business due to the COVID-19 pandemic. These costs include a \$3.5 million increase in inventory reserves, a \$1.5 million write-off related to unrefunded deposits for a canceled global customer event, a \$1.1 million increase in bad debt reserves and \$1.1 million of restructuring reserves, including severance.

The Company evaluates its long-lived assets, operating lease right of use assets, goodwill and intangible assets for indicators of impairment at least annually in the fourth quarter of each fiscal year or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Given the substantial reduction in the Company’s sales and the reduced cash flow projections as a result of closures of the retail stores of the Company, and its wholesale customers due to the COVID-19 pandemic, as

well as the significant decline in the Company's market capitalization, the Company determined that a triggering event occurred and that an impairment assessment was warranted for goodwill and intangible assets. This analysis resulted in impairment charges related to goodwill of \$133.7 million and intangible assets of \$22.2 million in the first quarter of fiscal 2021. See Note 6 – Goodwill and Intangible Assets – for a further discussion of these impairments.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

In March 2020, the FASB issued ASU 2020-03, "Codification Improvements to Financial Instruments", which makes improvements to financial instruments guidance, including the current expected credit losses guidance. The adoption of the new guidance was not material to the Consolidated Financial Statements.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting". This guidance provides practical expedients for contract modifications and certain hedging relationships associated with the transition from reference rates that are expected to be discontinued. This guidance is applicable for the Company's borrowing instruments, which use LIBOR as a reference rate, and is effective immediately, but is only available through December 31, 2022. The Company is currently evaluating the impact of the adoption of this standard on its Consolidated Financial Statements.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes". ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to general principles in "Income Taxes (Topic 740)". It also clarifies and amends existing guidance to improve consistent application. The guidance is effective for fiscal years beginning after December 15, 2020. The Company early adopted this standard effective February 1, 2020. The provision of ASU 2019-12 which has the most significant impact on the Company is the removal of a limitation on the tax benefit recognized on pre-tax losses during interim periods which exceed the expected loss for the fiscal year. The Company's income tax benefit includes an income tax benefit of \$2.2 million as a result of early adoption in the first quarter of fiscal 2021.

In August 2018, the FASB issued ASU 2018-13, "Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement", which modifies the disclosure requirements in ASC 820, Fair Value Measurement. The Company adopted ASU 2018-13 during the first quarter of fiscal 2021. The adoption of this guidance did not have an impact on the Company's Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" and subsequently issued additional guidance that modified ASU 2016-13. This standard introduces a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables. The estimate of expected credit losses requires entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This may result in the earlier recognition of allowance for losses. The Company adopted ASU 2016-13 on February 1, 2020. The adoption of this standard did not have a material impact on the Company's Consolidated Financial Statements. Results for reporting periods as of February 1, 2020 are presented under the new standard, while prior results continue to be reported under the previous standard.

NOTE 4 – EARNINGS PER SHARE AND CASH DIVIDENDS

The Company presents net income/(loss) attributable to Movado Group, Inc. after adjusting for noncontrolling interests, as applicable, per share on a basic and diluted basis. Basic earnings per share is computed using weighted-average shares outstanding during the period. Diluted earnings per share is computed using the weighted-average number of shares outstanding adjusted for dilutive common stock equivalents.

The number of shares used in calculating basic and diluted earnings (loss) per share is as follows (in thousands):

	Three Months Ended April 30,	
	2020	2019
Weighted average common shares outstanding:		
Basic	23,141	23,119
Effect of dilutive securities:		
Stock awards and options to purchase shares of common stock	—	333
Diluted	23,141	23,452

For the three months ended April 30, 2020 and 2019, approximately 891,000 and 78,000, respectively, of potentially dilutive common stock equivalents were excluded from the computation of diluted earnings per share because their effect would have been antidilutive. For the three months ended April 30, 2020, the Company also had approximately 120,000 stock options outstanding that could potentially dilute earnings per share in future periods that were excluded from the computation of diluted EPS because their effect would have been anti-dilutive given the net loss during the period.

During the first quarter of fiscal 2021 the Company did not declare quarterly cash dividends. During the first quarter of fiscal 2020, on March 28, 2019, the Company declared a quarterly cash dividend of \$0.20 per share payable on April 24, 2019, to shareholders of record on April 10, 2019. The total dividend of \$4.6 million was paid on April 24, 2019.

NOTE 5 – ACQUISITIONS

Australia

On November 22, 2019, the Company entered into an agreement and formed a joint venture with GDL Accessories PTY Ltd. (“GDL”), an Australian based company. The agreement established a joint venture, MGD L Distribution Pty Ltd (“MGDL”), and set out the terms in which both parties will govern their relationship as shareholders of MGD L, and the terms on which the joint venture will be managed.

The joint venture was formed to more cost effectively market and distribute Movado products to customers in Australia and in New Zealand (GDL was the sole distributor prior to agreement).

The Company contributed \$0.9 million Australian dollars, or \$0.6 million US dollars, to the joint venture and is a 51% interest holder. The Company controls all of the significant participating rights of the joint venture. As the Company controls all of the significant participating rights of the joint venture and is the majority interest holder in MGD L, the assets, liabilities and results of operations of the joint venture are consolidated and included in the Company’s Consolidated Financial Statements since the date of acquisition within the Watch and Accessory Brands segment. GDL’s interest is reflected in Net income attributable to noncontrolling interest in the Consolidated Statements of Operations and Noncontrolling interest in the Consolidated Balance Sheets. As of April 30, 2020, all amounts in the Consolidated Financial Statements related to MGD L were immaterial.

City Time

On December 3, 2018, the Company acquired 51% of City Time Distribucion, S.L.U, (“City Time”), the Company’s distributor in Spain, and simultaneously signed a joint venture agreement. The purchase price was 4.2 million Euros, or \$4.8 million, net of cash acquired, and was funded with cash on hand. The results of City Time have been included in the Company’s Consolidated Financial Statements since the date of acquisition within the Watch and Accessory Brands segment. Of the total purchase consideration, there were no material amounts allocated to assets acquired and liabilities assumed.

Pursuant to the joint venture agreement, the noncontrolling interest holder has the right to sell its interest in City Time to the Company on two specific dates in the future. The noncontrolling interest is not redeemable until such dates. The Company will adjust the carrying value of the redeemable interest to the redemption amount assuming it was redeemable at the balance sheet date. At April 30, 2020, the Company concluded that the remeasurement adjustment is immaterial. If the noncontrolling interest holder does not exercise its right to sell its interest in City Time to the Company, the Company nevertheless has the option to purchase the noncontrolling interest holder’s interest on each of the same two dates and at the same price as would have applied if the noncontrolling interest holder had exercised its sale option.

MVMT

On October 1, 2018, the Company acquired MVMT Watches, Inc., owner of the MVMT brand, for an initial payment of \$100.0 million and two future contingent payments that combined could total up to an additional \$100.0 million before tax benefits. The exact amount of the future payments will be determined by MVMT’s future financial performance with no minimum required future payment. After giving effect to the closing adjustments, the purchase price was \$108.4 million, net of cash acquired of \$3.8 million. The Company recorded goodwill (as of October 1, 2018) of \$77.5 million based on the amount by which the purchase price exceeded the fair value of the net assets acquired. As the structure of the acquisition allowed for a step up in basis for tax purposes, the full amount of goodwill is deductible for federal income tax purposes over 15 years.

The acquisition agreement included a contingent consideration arrangement based on the MVMT brand achieving certain revenue and EBITDA (as defined in the acquisition agreement) targets. In connection therewith, the Company recorded a non-current liability of \$16.5 million as of the date of acquisition to reflect the estimated fair value of the contingent purchase price. \$14.5 million was allocated to purchase price and \$2.0 million to deferred compensation expense based on future employee service requirements.

The estimated fair value of the contingent consideration was determined using a Monte Carlo simulation that includes key assumptions regarding MVMT's projected financial performance during the earn-out period (through 2023), volatilities, estimated discount rates, risk-free interest rate, and correlation. Based on changes in projected financial performance, the contingent purchase price liability had been remeasured at July 31, 2019 to \$1.9 million and to zero at January 31, 2020. Of the \$16.9 million (including interest accretion) decrease in the liability, \$15.4 million was included in non-operating income (portion of contingent consideration allocated to purchase price) in the Consolidated Statements of Operations for the year ended January 31, 2020, and \$0.5 million and \$1.0 million were reflected as a reduction of deferred compensation (portion of contingent consideration allocated to deferred compensation based on future service requirements) within other current assets and other non-current assets, respectively, in the Consolidated Balance Sheets.

In connection with the remeasurement of the contingent consideration during the fiscal year ended January 31, 2020, the Company assessed the undiscounted cash flows associated with the long-lived assets pertaining to MVMT. Current estimates at that time indicated that carrying amounts were expected to be recovered. The undiscounted cash flows related to the MVMT long-lived assets as of January 31, 2020 exceeded the carrying value by approximately 33%. See Note 6 – Goodwill and Intangible Assets for impairment of MVMT's long-lived assets as of April 30, 2020.

NOTE 6 – GOODWILL AND INTANGIBLE ASSETS

The Company performs its annual impairment assessment of goodwill as well as brand intangibles at the beginning of the fourth quarter of each fiscal year or if an event occurs that would more likely than not reduce the fair value below its carrying amount.

During the three months ended April 30, 2020, in light of the COVID-19 pandemic that resulted in the closing of the Company's stores and of the vast majority of the stores of the Company's wholesale customers (resulting in a decrease in revenues and gross margin), a decrease in customer spending and the recent decline in the Company's market capitalization, the Company concluded that a triggering event had occurred during the first quarter, resulting in the need to perform a quantitative interim impairment assessment over the Company's Olivia Burton, MVMT and Company Stores' long-lived assets as well as the Watch and Accessory reporting unit.

The Company performed recoverability tests for the long-lived assets of MVMT, Olivia Burton and the Company Stores as of April 30, 2020. The Company concluded that the carrying amounts of the long-lived assets of Olivia Burton and the Company Stores were recoverable, while the long-lived assets of MVMT may not be recoverable. Utilizing a royalty rate to determine discounted projected future cash flows in the valuation of MVMT's trade name and a discounted cash flow method for the valuation of MVMT's customer relationships, the Company concluded that the fair values of MVMT's tradenames and customer relationships did not exceed their carrying values. As a result, the Company recorded impairment charges in the Watch and Accessory Brands segment totaling \$22.2 million during the three months ended April 30, 2020, decreasing MVMT's trade name to \$2.4 million and MVMT's customer relationships to zero.

After adjusting the carrying value of MVMT's intangible assets, the Company completed an interim quantitative impairment test of goodwill as of April 30, 2020 in which the Company compared the fair value of the Watch and Accessory reporting unit to its respective carrying value. An impairment test of goodwill was not performed for the Company Stores reporting unit as there was no goodwill at this reporting unit. The fair value estimate for the Watches and Accessory reporting unit was based on the income and market approaches. The discounted cash flow method under the income approach involves estimating the cash flows in a discrete forecast period and a terminal value based on the Gordon Growth Model and discounting at a rate of return that reflects the relative risk of the cash flows. The market approach involves applying valuation multiples to the operating performance of the Watch and Accessory reporting unit derived from comparable publicly traded companies based on the relative historical and projected operations of the reporting unit.

The key estimates used in the discounted cash flows model included the Company's weighted average cost of capital and projected cash flows, notably revenue growth rates and margin assumptions. The Company's assumptions were based on the actual historical performance of the reporting units and took into account the recent severe and continued weakening of operating results as well as the anticipated rate of recovery, and implied risk premiums based on market prices of the Company's common stock as of the assessment date. The significant estimates in the market approach model included identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment and assessing comparable revenue and earnings multiples in estimating the fair value of the reporting unit. The excess of the Watch and Accessory unit's carrying value over the estimate of the fair value was recorded in the Watch and Accessory Brands segment as the goodwill impairment charge in the first quarter of 2020, totaling \$133.7 million. As of April 30, 2020, zero goodwill remains.

The changes in the carrying amount of other intangible assets during the three months ended April 30, 2020 are as follows (in thousands):

	Trade names	Customer relationships	Other (1)	Total
Weighted Average Amortization Period (in years)	10	7	9	
Balance at January 31, 2020	\$ 31,075	\$ 10,154	\$ 1,130	\$ 42,359
Impairment	(18,595)	(3,570)	-	(22,165)
Additions	—	—	41	41
Amortization	(720)	(456)	(90)	(1,266)
Foreign exchange impact	(449)	(240)	(8)	(697)
Balance at April 30, 2020	<u>\$ 11,311</u>	<u>\$ 5,888</u>	<u>\$ 1,073</u>	<u>\$ 18,272</u>

(1) Other includes fees paid related to trademarks and non-compete agreement related to Olivia Burton brand.

Amortization expense for intangible assets was \$1.3 million and \$1.5 million for the three months ended April 30, 2020 and 2019, respectively.

NOTE 7 – INVENTORIES

Inventories consisted of the following (in thousands):

	April 30, 2020	January 31, 2020	April 30, 2019
Finished goods	\$ 129,918	\$ 125,603	\$ 132,797
Component parts	43,411	41,708	43,304
Work-in-process	4,503	4,095	1,947
	<u>\$ 177,832</u>	<u>\$ 171,406</u>	<u>\$ 178,048</u>

NOTE 8 – DEBT AND LINES OF CREDIT

On October 12, 2018, the Company, together with Movado Group Delaware Holdings Corporation, Movado Retail Group, Inc. and Movado LLC (together with the Company, the “U.S. Borrowers”), each a wholly owned domestic subsidiary of the Company, and Movado Watch Company S.A. and MGI Luxury Group S.A. (collectively, the “Swiss Borrowers” and, together with the U.S. Borrowers, the “Borrowers”), each a wholly owned Swiss subsidiary of the Company, entered into an Amended and Restated Credit Agreement (the “Credit Agreement”) with the lenders party thereto and Bank of America, N.A. as administrative agent (in such capacity, the “Agent”). The Credit Agreement amends and restates the Company’s prior credit agreement dated as of January 30, 2015 (the “Prior Credit Agreement”) and extends the maturity of the \$100.0 million senior secured revolving credit facility (the “Facility”) provided thereunder to October 12, 2023. The Facility includes a \$15.0 million letter of credit subfacility, a \$25.0 million swingline subfacility and a \$75.0 million sublimit for borrowings by the Swiss Borrowers, with provisions for uncommitted increases to the Facility of up to \$50.0 million in the aggregate subject to customary terms and conditions.

On June 5, 2020, the Company and its lenders entered into an amendment (the “Second Amendment”) to the Credit Agreement effective as of April 30, 2020. Among other things, the Second Amendment provides for the following temporary relief with respect to the financial maintenance covenants in the Credit Agreement from April 30, 2020 through the date on which the Company delivers a compliance certificate in respect of the period ended July 31, 2021 (or earlier if the Company demonstrates satisfaction of certain earnings and leverage milestones) (the “Suspension Period”): (i) the maximum consolidated leverage ratio is increased from 2.50 to 1.0 to 2.75 to 1.0 for the four quarter period ended April 30, 2020 and suspended thereafter until the end of the Suspension Period when it resumes at 2.50 to 1.0 and (ii) the minimum EBITDA covenant levels are reduced. In addition, the Second Amendment provides that (i) through April 30, 2021, the Company is required to maintain minimum liquidity (comprised of unrestricted cash and cash equivalents and unutilized commitments under the Credit Agreement) of \$100.0 million, (ii) during the Suspension Period, certain covenants, including covenants related to dividends, debt incurrence, investments and capital expenditures, have been tightened and (iii) during the Suspension Period, the interest rate for borrowings under the Credit Agreement is increased to LIBOR plus 2.75% per annum and the commitment fee in respect of the unutilized commitments is increased to 0.45% per annum. In addition, the Second Amendment permanently increased the LIBOR floor for loans under the Credit Agreement from 0% to 1.00% and permanently reduced the minimum EBITDA financial covenant level to \$35.0 million starting with the four-quarter period ending July 31, 2021.

As of April 30, 2020, and April 30, 2019, there was 70.0 million and 50.0 million in Swiss Francs, respectively (with a dollar equivalent of \$72.5 million and \$49.1 million, respectively), in addition to \$10.0 million as of April 30, 2020, in loans outstanding under the Facility. Availability under the Facility was reduced by the aggregate number of letters of credit outstanding, issued in connection with retail and operating facility leases to various landlords and for Canadian payroll to the Royal Bank of Canada, totaling approximately \$0.3 million at both April 30, 2020 and April 30, 2019. At April 30, 2020, the letters of credit have expiration dates through June 1, 2020. As of April 30, 2020, and April 30, 2019, availability under the Facility was \$17.2 million and \$50.6 million, respectively.

The Company had weighted average borrowings under the facility of \$65.6 million and \$49.8 million during the three months ended April 30, 2020 and 2019, respectively, with a weighted average interest rate of 1.17% and 1.00% during the three months ended April 30, 2020 and 2019, respectively.

A Swiss subsidiary of the Company maintains unsecured lines of credit with an unspecified maturity with a Swiss bank. As of April 30, 2020, and 2019, these lines of credit totaled 6.5 million Swiss Francs for both periods, with a dollar equivalent of \$6.7 million and \$6.4 million, respectively. As of April 30, 2020, and 2019, there were no borrowings against these lines. As of April 30, 2020, and 2019, two European banks had guaranteed obligations to third parties on behalf of two of the Company's foreign subsidiaries in the dollar equivalent of \$1.2 million and \$1.1 million, respectively, in various foreign currencies, of which \$0.6 million and \$0.5 million, respectively, was a restricted deposit as it relates to lease agreements.

Cash paid for interest, including unused commitments fees, was \$0.2 million for the three-month period ended April 30, 2020 and April 30, 2019.

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS

As of April 30, 2020, the Company's entire net forward contracts hedging portfolio consisted of 38.4 million Chinese Yuan equivalent, 12.0 million Swiss Francs equivalent, 9.8 million US dollars equivalent, 17.9 million Euros equivalent and 2.5 million British Pounds equivalent with various expiry dates ranging through September 10, 2020. These forward contracts are not designated as qualified hedges in accordance with ASC 815, *Derivatives and Hedging*, and, therefore, changes in the fair value of these derivatives are recognized in earnings in the period they arise. Net gains or losses related to these forward contracts are included in cost of sales, selling and general and administrative expenses in the Consolidated Statements of Operations. The cash flows related to these foreign currency contracts are classified in operating activities.

See Note 10 – Fair Value Measurements for fair value and presentation in the Consolidated Balance Sheets for derivatives.

For the quarter ended April 30, 2020, the Company did not have any cash flow hedges.

NOTE 10 – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting guidance establishes a fair value hierarchy which prioritizes the inputs used in measuring fair value into three broad levels as follows:

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

The guidance requires the use of observable market data if such data is available without undue cost and effort.

The following tables present the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of April 30, 2020 and 2019 and January 31, 2020 (in thousands):

	Balance Sheet Location	Fair Value at April 30, 2020			
		Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale securities	Other current assets	\$ 133	\$ —	\$ —	\$ 133
Short-term investment	Other current assets	148	—	—	148
SERP assets - employer	Other non-current assets	964	—	—	964
SERP assets - employee	Other non-current assets	41,759	—	—	41,759
Defined benefit plan assets	Other non-current liabilities	—	—	22,799	22,799
Hedge derivatives	Other current assets	—	5	—	5
Total		<u>\$ 43,004</u>	<u>\$ 5</u>	<u>\$ 22,799</u>	<u>\$ 65,808</u>
Liabilities:					
SERP liabilities - employee	Other non-current liabilities	\$ 41,735	\$ —	\$ —	\$ 41,735
Hedge derivatives	Accrued liabilities	—	29	—	29
Total		<u>\$ 41,735</u>	<u>\$ 29</u>	<u>\$ —</u>	<u>\$ 41,764</u>

	Balance Sheet Location	Fair Value at January 31, 2020			
		Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale securities	Other current assets	\$ 184	\$ —	\$ —	\$ 184
Short-term investment	Other current assets	156	—	—	156
SERP assets - employer	Other non-current assets	988	—	—	988
SERP assets - employee	Other non-current assets	45,256	—	—	45,256
Defined benefit plan assets	Other non-current liabilities	—	—	24,227	24,227
Hedge derivatives	Other current assets	—	347	—	347
Total		\$ 46,584	\$ 347	\$ 24,227	\$ 71,158
Liabilities:					
SERP liabilities - employee	Other non-current liabilities	\$ 45,264	\$ —	\$ —	\$ 45,264
Contingent consideration	Other non-current liabilities	—	—	—	—
Total		\$ 45,264	\$ —	\$ —	\$ 45,264

	Balance Sheet Location	Fair Value at April 30, 2019			
		Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale securities	Other current assets	\$ 178	\$ —	\$ —	\$ 178
Short-term investment	Other current assets	152	—	—	152
SERP assets - employer	Other non-current assets	978	—	—	978
SERP assets - employee	Other non-current assets	41,268	—	—	41,268
Defined benefit plan assets	Other non-current liabilities	—	—	31,202	31,202
Hedge derivatives	Other current assets	—	8	—	8
Total		<u>\$ 42,576</u>	<u>\$ 8</u>	<u>\$ 31,202</u>	<u>\$ 73,786</u>
Liabilities:					
SERP liabilities - employee	Other non-current liabilities	\$ 41,268	\$ —	\$ —	\$ 41,268
Hedge derivatives	Accrued liabilities	—	509	—	509
Contingent consideration	Other non-current liabilities	—	—	16,884	16,884
Total		<u>\$ 41,268</u>	<u>\$ 509</u>	<u>\$ 16,884</u>	<u>\$ 58,661</u>

The fair values of the Company's available-for-sale securities are based on quoted prices. The fair value of the short-term investment, which is a guaranteed investment certificate, is based on its purchase price plus one half of a percent calculated annually. The assets related to the Company's defined contribution supplemental executive retirement plan ("SERP") consist of both employer (employee unvested) and employee assets which are invested in investment funds with fair values calculated based on quoted market prices. The SERP liability represents the Company's liability to the employees in the plan for their vested balances. The hedge derivatives are entered into by the Company principally to reduce its exposure to Swiss Franc and Euro exchange rate risks. Fair values of the Company's hedge derivatives are calculated based on quoted foreign exchange rates and quoted interest rates. The carrying amount of debt approximated fair value as of April 30, 2020, January 31, 2020, and April 30, 2019, due to the availability and floating rate for similar instruments.

The Company sponsors a pension plan in Switzerland which was amended to a defined benefit plan effective December 31, 2018. The plan covers certain international employees and is based on years of service and compensation on a career-average pay basis. The assets within the plan are classified as a Level 3 asset within the fair value hierarchy and consist of an investment in pooled assets and include separate employee accounts that are invested in equity securities, debt securities and real estate. The values of the separate accounts invested are based on values provided by the administrator of the funds that cannot be readily derived from or corroborated by observable market data. The value of the assets is part of the funded status of the defined benefit plan and included in other non-current liabilities in the consolidated balance sheets at April 30, 2020 and April 30, 2019.

The contingent purchase price liability related to the acquisition of MVMT Watches, Inc., owner of the MVMT brand, is considered a Level 3 liability. Based on updated revenue and EBITDA (as defined in the acquisition agreement) performance expectations during the earn-out period for MVMT, the Company remeasured the contingent consideration to zero at January 31, 2020. During the three months ended April 30, 2019, the liability was revalued with an increase in the fair value of the liability of \$0.2 million and was recorded in the Consolidated Statement of Operations.

There were no transfers between any levels of the fair value hierarchy for any of the Company's fair value measurements.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Company has minimum commitments related to the Company's license agreements and endorsement agreements with brand ambassadors. The Company sources, distributes, advertises and sells watches pursuant to its exclusive license agreements with unaffiliated licensors. Royalty amounts under the license agreements are generally based on a stipulated percentage of revenues, although most of these agreements contain provisions for the payment of minimum annual royalty amounts. The license agreements have various terms, and some have renewal options, provided that minimum sales levels are achieved. Additionally, the license agreements require the Company to pay minimum annual advertising amounts.

The Company had previously recorded an obligation of \$28.2 million due to the 2017 Tax Act, which was signed into law on December 22, 2017 and imposed a one-time mandatory deemed repatriation tax on cumulative undistributed foreign earnings which have not been previously taxed. The obligation, which was recorded in prior years, is payable in installments over eight years, with the first payment having been made in the second quarter of fiscal 2019.

The Company believes that income tax reserves are adequate; however, amounts asserted by taxing authorities could be greater or less than amounts accrued and reflected in the consolidated balance sheet. Accordingly, the Company could record adjustments to the amounts for federal, state, and foreign liabilities in the future as the Company revises estimates or settles or otherwise resolves the underlying matters. In the ordinary course of business, the Company may take new positions that could increase or decrease unrecognized tax benefits in future periods.

In December 2016, U.S. Customs and Border Protection ("U.S. Customs") issued an audit report concerning the methodology used by the Company to allocate the cost of certain watch styles imported into the U.S. among the component parts of those watches for tariff purposes. The report disputes the reasonableness of the Company's historical allocation formulas and proposes an alternative methodology that would imply \$5.1 million in underpaid duties over the five-year period covered by the statute of limitations, plus possible penalties and interest. The Company believes that U.S. Customs' alternative duty methodology and estimate are not consistent with the Company's facts and circumstances and is disputing U.S. Customs' position. On February 24, 2017, the Company provided U.S. Customs with supplemental analyses and information supporting the Company's historical allocation formulas and thereafter provided additional information for U.S. Customs' review. Although the Company disagrees with U.S. Customs' position, it cannot predict with any certainty the outcome of this matter. The Company intends to continue to work with U.S. Customs to reach a mutually-satisfactory resolution.

The purchase consideration for the MVMT business includes two future contingent payments that combined could total up to \$100 million. Based on updated revenue and EBITDA (as defined in the acquisition agreement) performance expectations during the earn-out period for MVMT, the Company remeasured the contingent consideration to zero at January 31, 2020 (see Note 5 – Acquisitions and Note 10 – Fair Value Measurements).

The Company is involved in legal proceedings and claims from time to time, in the ordinary course of its business. Legal reserves are recorded in accordance with the accounting guidance for contingencies. Contingencies are inherently unpredictable and it is possible that results of operations, balance sheets or cash flows could be materially and adversely affected in any particular period by unfavorable developments in, or resolution or disposition of, such matters. For those legal proceedings and claims for which the Company believes that it is probable that a reasonably estimable loss may result, the Company records a reserve for the potential loss. For proceedings and claims where the Company believes it is reasonably possible that a loss may result that is materially in excess of amounts accrued for the matter, the Company either discloses an estimate of such possible loss or range of loss or includes a statement that such an estimate cannot be made. As of April 30, 2020, the Company is party to legal proceedings and contingencies, the resolution of which is not expected to materially affect its financial condition, future results of operations beyond the amounts accrued, or cash flows.

NOTE 12 – INCOME TAXES

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) which provides economic relief to assist American families and companies during the COVID-19 global pandemic. The CARES Act includes, among other things, provisions related to net operating loss carryback periods, refundable payroll tax credits and the delay of certain payroll taxes, and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act allows U.S. net operating losses generated in fiscal 2019, 2020, and 2021 to be carried back up to five years and to offset 100% of regular taxable income in such years. The Company anticipates that there will be a U.S. net operating loss generated in fiscal 2021 which will be carried back to prior taxable years. The Company continues to evaluate other impacts of the CARES Act.

The Company recorded an income tax benefit of \$32.3 million and income tax expense of \$0.8 million for the three months ended April 30, 2020 and 2019, respectively.

The effective tax rate was 17.7% for both three months ended April 30, 2020 and 2019, respectively. The significant components of the effective tax rate changed primarily due to the recording of valuation allowances on certain foreign deferred tax assets and impairments of the portion of goodwill of the Watch and Accessory reporting unit which is not tax deductible, both of which occurred during the first quarter of fiscal 2021. These changes were partially offset by changes in foreign profits in lower tax jurisdictions and the impact of the CARES Act, which enables the Company to carry back U.S. net operating losses generated in fiscal 2021 into prior taxable years with a U.S. statutory tax rate of 35.0%.

The effective tax rate for the three months ended April 30, 2020 differs from the U.S. statutory tax rate of 21.0% primarily due to impairments of the portion of goodwill of the Watch and Accessory reporting unit which is not tax deductible, partially offset by the impact of the CARES Act, which enables the Company to carry back U.S. net operating losses generated in fiscal 2021 into prior taxable years with a U.S. statutory tax rate of 35.0%.

The effective tax rate for the three months ended April 30, 2019 differs from the U.S. statutory tax rate of 21.0% primarily due to foreign profits in lower tax jurisdictions and excess tax benefits related to stock-based compensation, partially offset by no tax benefit being recognized on operating results of certain foreign subsidiaries.

In December 2019, the FASB issues ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes”. ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to general principles in “Income Taxes (Topic 740)”. It also clarifies and amends existing guidance to improve consistent application. The guidance is effective for fiscal years beginning after December 15, 2020. The Company early adopted this standard effective February 1, 2020. The provision of ASU 2019-12 which has the most significant impact on the Company is the removal of a limitation on the tax benefit recognized on pre-tax losses during interim periods which exceed the expected loss for the fiscal year. The Company’s income tax benefit includes an income tax benefit of \$2.2 million as a result of early adoption in the first quarter of fiscal 2021.

As of April 30, 2020, the Company had no deferred tax liability for the undistributed foreign earnings of approximately \$181.3 million because the Company intends to continue permanently reinvesting such earnings in its foreign operations. It is not practicable to estimate the tax liability related to a future distribution of these permanently reinvested foreign earnings.

NOTE 13 – EQUITY

The components of equity for the three months ended April 30, 2020 and 2019 are as follows (in thousands):

Movado Group, Inc. Shareholders' Equity										
	Preferred Stock	Common Stock (1)	Class A Common Stock (2)	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Noncontrolling Interest	Total Movado Group, Inc. Shareholders' Equity	Redeemable Noncontrolling Interest
Balance, January 31, 2020	\$ —	\$ 279	\$ 65	\$ 208,473	\$ 455,479	\$ 85,050	\$ (222,809)	\$ 707	\$ 527,244	\$ 3,165
Net income/(loss) attributable to Movado Group, Inc.					(149,993)			59	(149,934)	(155)
Stock options exercised		1		(1)			(367)		(367)	
Supplemental executive retirement plan				26					26	
Stock-based compensation expense				1,572					1,572	
Net unrealized loss on investments, net of tax benefit of \$13						(38)			(38)	
Amortization of prior service cost, net of tax provision of \$4						13			13	
Foreign currency translation adjustment (3)						(7,951)		(20)	(7,971)	(44)
Balance, April 30, 2020	\$ —	\$ 280	\$ 65	\$ 210,070	\$ 305,486	\$ 77,074	\$ (223,176)	\$ 746	\$ 370,545	\$ 2,966
	Preferred Stock	Common Stock (1)	Class A Common Stock (2)	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Noncontrolling Interest	Total Movado Group, Inc. Shareholders' Equity	Redeemable Noncontrolling Interest
Balance, January 31, 2019	\$ —	\$ 277	\$ 65	\$ 201,814	\$ 431,180	\$ 80,507	\$ (217,188)	\$ —	\$ 496,655	\$ 3,721
Net income/(loss) attributable to Movado Group, Inc.					3,925				3,925	(1)
Dividends (\$0.20 per share)					(4,591)				(4,591)	
Stock repurchase							(2,616)		(2,616)	
Stock options exercised		2		154			(1,390)		(1,234)	
Supplemental executive retirement plan				34					34	
Stock-based compensation expense				1,638					1,638	
Net unrealized gain on investments, net of tax benefit						1			1	
Amortization of prior service cost, net of tax provision of \$4						13			13	
Foreign currency translation adjustment (3)						(4,184)			(4,184)	(84)
Balance, April 30, 2019	\$ —	\$ 279	\$ 65	\$ 203,640	\$ 430,514	\$ 76,337	\$ (221,194)	\$ —	\$ 489,641	\$ 3,636

- (1) Each share of common stock is entitled to one vote per share on all matters submitted to a vote of the shareholders.
- (2) Each share of class A common stock is entitled to 10 votes per share on all matters submitted to a vote of the shareholders. Each holder of class A common stock is entitled to convert, at any time, any and all of such shares into the same number of shares of common stock. Each share of class A common stock is converted automatically into common stock in the event that the beneficial or record ownership of such shares of class A common stock is transferred to any person, except to certain family members or affiliated persons deemed “permitted transferees” pursuant to the Company’s Restated Certificate of Incorporation as amended. The class A common stock is not publicly traded, and consequently, there is currently no established public trading market for these shares.
- (3) The currency translation adjustment is not adjusted for income taxes to the extent that it relates to permanent investments of earnings in international subsidiaries.

NOTE 14 – TREASURY STOCK

On August 29, 2017, the Board approved a share repurchase program under which the Company is authorized to purchase up to \$50.0 million of its outstanding common stock from time to time, depending on market conditions, share price and other factors. Under the share repurchase program, the Company may purchase shares of its common stock through open market purchases, repurchase plans, block trades or otherwise. This authorization expires on August 29, 2020. See Note 8 – Debt and Lines of Credit – for restrictions on share repurchase under the Company’s revolving credit facility.

During the three months ended April 30, 2020, the Company did not repurchase shares of its common stock under the repurchase program. During the three months ended April 30, 2019, the Company repurchased a total of 78,402 shares of its common stock under the share repurchase program at a total cost of \$2.6 million, or an average of \$33.36 per share.

At April 30, 2020, \$36.4 million remains available for purchase under the Company’s repurchase program.

There were 36,923 and 42,127 shares of common stock repurchased during the three months ended April 30, 2020 and 2019, respectively, as a result of the surrender of shares in connection with the vesting of certain stock awards. At the election of an employee, shares having an aggregate value on the vesting date equal to the employee’s withholding tax obligation may be surrendered to the Company.

NOTE 15 – ACCUMULATED OTHER COMPREHENSIVE INCOME

The accumulated balances at April 30, 2020 and 2019, and January 31, 2020, related to each component of accumulated other comprehensive income (loss) are as follows (in thousands):

	April 30, 2020	January 31, 2020	April 30, 2019
Foreign currency translation adjustments	\$ 77,394	\$ 85,345	\$ 76,624
Available-for-sale securities	86	124	120
Unrecognized prior service cost related to defined benefit pension plan	(354)	(367)	(407)
Net actuarial loss related to defined benefit pension plan	(52)	(52)	—
Total accumulated other comprehensive income	<u>\$ 77,074</u>	<u>\$ 85,050</u>	<u>\$ 76,337</u>

NOTE 16 – REVENUE

Disaggregation of Revenue

The following table presents the Company’s net sales disaggregated by customer type. Sales and usage-based taxes are excluded from net sales (in thousands):

Customer Type	For the Three Months Ended April 30,	
	2020	2019
Wholesale	\$ 52,910	\$ 115,161
Direct to consumer	16,304	30,356
After-sales service	452	1,032
Net Sales	<u>\$ 69,666</u>	<u>\$ 146,549</u>

The Company’s revenue from contracts with customers is recognized at a point in time. The Company’s net sales disaggregated by geography are based on the location of the Company’s customer (see Note 18 – Segment and Geographic Information).

Wholesale Revenue

The Company’s wholesale revenue consists primarily of revenues from independent distributors, and from department stores, and chain and independent jewelry stores. The Company recognizes and records its revenue when obligations under the terms of a contract with the customer are satisfied, and control is transferred to the customer. Wholesale revenue is measured as the amount of consideration the Company ultimately expects to receive in exchange for transferring goods. Wholesale revenue is included entirely within the Watch and Accessory Brands segment (see Note 18 – Segment and Geographic Information), consistent with how management makes decisions regarding the allocation of resources and performance measurement.

Direct to Consumer Revenue

The Company's direct to consumer revenue primarily consists of revenues from the Company's outlet stores, concession stores, ecommerce, and consumer repairs. Revenue is recognized as the end consumer obtains delivery of the merchandise. Direct to Consumer revenue derived from concession stores, ecommerce and consumer repairs is included within the Watch and Accessory Brands segment; revenue derived from outlet stores is included within the Company Stores Segment (see Note 18 – Segment and Geographic Information). Direct to Consumer revenue is included in either the Watch and Accessory Brands segment or Company Stores Segments based on how the Company makes decisions about the allocation of resources and performance measurement.

After-Sales Service

All watches sold by the Company come with limited warranties covering the movement against defects in materials and workmanship. The Company does not sell warranties separately.

The Company's after-sales service revenues consists of out of warranty service provided to customers and authorized third party repair centers, and sale of watch parts. The Company recognizes and records its revenue when obligations under the terms of a contract with the customer are satisfied and control is transferred to the customer. After-sales service revenue is measured as the amount of consideration the Company ultimately expects to receive in exchange for transferring goods. Revenue from after sales service, including consumer repairs, is included entirely within the Watch and Accessory Brands segment, consistent with how management makes decisions about the allocation of resources and performance measurement.

NOTE 17 – STOCK-BASED COMPENSATION

Under the Company's Employee Stock Option Plan, as amended and restated as of April 4, 2013 (the "Plan"), the Compensation Committee of the Board of Directors, which consists of three of the Company's non-employee directors, has the authority to grant participants incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights and stock awards, for up to 11,000,000 shares of common stock.

Stock Options:

Stock options granted to participants under the plan generally became exercisable in equal installments over three years or cliff-vested after three years and remain exercisable until the tenth anniversary of the date of grant. All stock options granted under the Plan have an exercise price equal to or greater than the fair market value of the Company's common stock on the grant date.

The fair value of the stock options, less expected forfeitures, is amortized on a straight-line basis over the vesting term. Total compensation expense for stock option grants recognized during the three months ended April 30, 2020 and 2019 was \$0.1 million (net of tax of approximately \$22,000) and \$0.2 million (net of tax of \$0.1 million), respectively. As of April 30, 2020, all stock options have vested so, as a result, there was no unrecognized compensation cost related to unvested stock options. Total consideration received for stock option exercises during the three months ended April 30, 2020 and 2019 was zero and \$0.2 million, respectively.

The following table summarizes the Company's stock options activity during the first quarter of fiscal 2021:

	Outstanding Options	Weighted Average Exercise Price per Option	Option Price Per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value \$(000)
Options outstanding at January 31, 2020 (399,905 options exercisable)	561,110	\$ 28.41	\$23.35-\$42.12	5.2	\$ -
Granted	—				
Exercised	—				
Cancelled	—				
Options outstanding at April 30, 2020	561,110	\$ 28.41	\$23.35-\$42.12	4.9	\$ -
Exercisable at April 30, 2020	561,110	\$ 28.41		4.9	\$ -

There were no stock options exercised during the first quarter of fiscal 2021.

Stock Awards:

Under the Plan, the Company can also grant stock awards to employees and directors. For the three months ended April 30, 2020 and 2019, compensation expense for stock awards was \$1.1 million (net of tax of \$0.4 million) and \$1.1 million (net of tax of \$0.3 million), respectively. As of April 30, 2020, there was \$6.4 million of unrecognized compensation cost related to unvested stock awards.

The following table summarizes the Company's stock awards activity during the first quarter of fiscal 2021:

	Number of Stock Award Units	Weighted- Average Grant Date Fair Value	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value \$(000's)
Units outstanding at January 31, 2020	490,239	\$ 33.50	1.4	\$ 8,442
Units granted	86,500	\$ 10.00		
Units vested	(141,235)	\$ 26.88		
Units forfeited	(3,409)	\$ 25.75		
Units outstanding at April 30, 2020	432,095	\$ 31.02	1.3	\$ 4,455

Outstanding stock awards can be classified as either time-based stock awards or performance-based stock awards. Time-based stock awards vest over time subject to continued employment. Performance-based stock awards vest over time subject both to continued employment and to the achievement of corporate financial performance goals. Upon the vesting of a stock award, shares are issued from the pool of authorized shares. For performance-based stock awards, the number of shares issued related to the performance units granted can vary from 0% to 150% of the target number of underlying stock award units, depending on the extent of the achievement of predetermined financial goals. The total fair value of stock award units that vested during the first three months of fiscal 2021 was \$3.8 million. The number of shares issued related to the remaining stock awards are established at grant date.

NOTE 18 – SEGMENT AND GEOGRAPHIC INFORMATION

The Company conducts its business in two operating segments: Watch and Accessory Brands and Company Stores. The Company's Watch and Accessory Brands segment includes the designing, manufacturing and distribution of watches and, to a lesser extent, jewelry and other accessories, of owned and licensed brands, in addition to revenue generated from after-sales service activities and shipping. The Company Stores segment includes the Company's physical retail outlet locations. The Chief Executive Officer of the Company is the chief operating decision maker ("CODM") and regularly reviews operating results for each of the two operating segments to assess performance and makes operating decisions about the allocation of the Company's resources.

The Company divides its business into two major geographic locations: United States operations, and International, which includes the results of all non-U.S. Company operations. The allocation of geographic revenue is based upon the location of the customer. The Company's International operations in Europe, the Americas (excluding the United States), Asia and the Middle East accounted for 37.8%, 9.1%, 8.3% and 3.8%, respectively, of the Company's total net sales for the three months ended April 30, 2020. For the three months ended April 30, 2019, the Company's International operations in Europe, the Middle East, the Americas (excluding the United States) and Asia accounted for 34.2%, 9.1%, 8.7% and 7.7%, respectively, of the Company's total net sales.

Operating Segment Data as of and for the Three Months Ended April 30, 2020 and 2019 (in thousands):

	Net Sales	
	2020	2019
Watch and Accessory Brands:		
Owned brands category	\$ 25,361	\$ 51,919
Licensed brands category	35,684	72,795
After-sales service and all other	2,241	6,781
Total Watch and Accessory Brands	63,286	131,495
Company Stores	6,380	15,054
Consolidated total	<u>\$ 69,666</u>	<u>\$ 146,549</u>

	Operating (Loss)/Income (3)(4)(5)	
	2020	2019
Watch and Accessory Brands	\$ (179,621)	\$ 3,095
Company Stores	(2,542)	1,879
Consolidated total	<u>\$ (182,163)</u>	<u>\$ 4,974</u>

	Total Assets (1)		
	April 30, 2020	January 31, 2020	April 30, 2019
Watch and Accessory Brands	\$ 634,135	\$ 782,339	\$ 766,571
Company Stores	63,778	64,969	62,090
Consolidated total	<u>\$ 697,913</u>	<u>\$ 847,308</u>	<u>\$ 828,661</u>

- (1) The decrease in total assets of the Watch and Accessory Brands segment at April 30, 2020 from January 31, 2020 is due primarily to the impairment charges related to goodwill of \$133.7 million and \$22.2 million related to intangible assets.

Geographic Location Data as of and for the Three Months Ended April 30, 2020 and 2019 (in thousands):

	Net Sales		Operating (Loss)/Income (3)(4)(5)	
	2020	2019	2020	2019
United States (1)	\$ 28,534	\$ 59,494	\$ (119,990)	\$ (8,952)
International (2)	41,132	87,055	(62,173)	13,926
Consolidated total	<u>\$ 69,666</u>	<u>\$ 146,549</u>	<u>\$ (182,163)</u>	<u>\$ 4,974</u>

United States and International net sales are net of intercompany sales of \$42.8 million and \$77.9 million for the three months ended April 30, 2020 and 2019, respectively.

- (1) The United States operating loss included \$6.0 million and \$9.0 million of unallocated corporate expenses for the three months ended April 30, 2020 and 2019, respectively.
- (2) The International operating income included \$11.1 million and \$13.0 million of certain intercompany profits related to the Company's supply chain operations for the three months ended April 30, 2020 and 2019, respectively.
- (3) For the three months ended April 30, 2020 and 2019, in the United States locations of the Watch and Accessory Brands segment, operating loss included a charge of \$0.7 million and \$1.5 million, respectively, related to the amortization of intangible assets, deferred compensation and certain acquisition accounting adjustments associated with the MVMT brand. In addition, in the International locations of the Watch and Accessory Brands segment, for the three months ended April 30, 2020 and 2019, operating loss included \$0.7 million and \$0.7 million, respectively, of expenses primarily related to the amortization of acquired intangible assets, as a result of the Company's acquisition of the Olivia Burton brand.
- (4) For the three months ended April 30, 2020, in the United States locations of the Watch and Accessory Brands segment, operating loss included a charge of \$99.7 million, related to the impairment of goodwill and intangible assets associated with the MVMT brand. In addition, in the International locations of the Watch and Accessory Brands segment, for the three months ended April 30, 2020, operating loss included a charge of \$56.2 million related to the impairment of goodwill associated with the Olivia Burton brand and City Time Joint Venture.

- (5) For the three months ended April 30, 2020, in the United States locations and the International locations of the Watch and Accessory Brands segment, operating loss included a charge of \$4.7 million and \$2.5 million, respectively, related to the corporate initiatives that the Company took in response to the impact on its business due to the COVID-19 pandemic.

	Total Assets (1)		
	April 30, 2020	January 31, 2020	April 30, 2019
United States	\$ 303,428	\$ 425,018	\$ 384,816
International	394,485	422,290	443,845
Consolidated total	<u>\$ 697,913</u>	<u>\$ 847,308</u>	<u>\$ 828,661</u>

- (1) The decrease in the United States total assets at April 30, 2020 from January 31, 2020 is primarily due to the impairment charges related to goodwill of \$77.5 million and \$22.2 million related to intangible assets. The decrease in the International total assets at April 30, 2020 from January 31, 2020 is primarily due to the impairment charge related to goodwill of \$56.2 million.

	Property, Plant and Equipment, Net		
	April 30, 2020	January 31, 2020	April 30, 2019
United States	\$ 17,639	\$ 18,852	\$ 16,980
International	9,295	10,386	9,085
Consolidated total	<u>\$ 26,934</u>	<u>\$ 29,238</u>	<u>\$ 26,065</u>

FORWARD-LOOKING STATEMENTS

Statements in this Quarterly Report on Form 10-Q, including, without limitation, statements under Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report, as well as statements in future filings by the Company with the Securities and Exchange Commission (the "SEC"), in the Company's press releases and oral statements made by or with the approval of an authorized executive officer of the Company, which are not historical in nature, are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates, forecasts and projections about the Company, its future performance, the industry in which the Company operates and management's assumptions. Words such as "expects", "anticipates", "targets", "goals", "projects", "intends", "plans", "believes", "seeks", "estimates", "may", "will", "should" and variations of such words and similar expressions are also intended to identify such forward-looking statements. The Company cautions readers that forward-looking statements include, without limitation, those relating to the Company's future business prospects, projected operating or financial results, revenues, working capital, liquidity, capital needs, inventory levels, plans for future operations, expectations regarding capital expenditures, operating efficiency initiatives and other items, cost savings initiatives, and operating expenses, effective tax rates, margins, interest costs, and income as well as assumptions relating to the foregoing. Forward-looking statements are subject to certain risks and uncertainties, some of which cannot be predicted or quantified. Actual results and future events could differ materially from those indicated in the forward-looking statements, due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company's reports filed with the SEC, including, without limitation, the following: general economic and business conditions which may impact disposable income of consumers in the United States and the other significant markets (including Europe) where the Company's products are sold; uncertainty regarding such economic and business conditions; trends in consumer debt levels and bad debt write-offs; general uncertainty related to possible terrorist attacks, natural disasters, pandemics, including the effect of the COVID-19 pandemic and other diseases on travel and traffic in the Company's retail stores and wholesale business; supply disruptions and delivery delays from the Company's Chinese and other suppliers as a result of the COVID-19 pandemic; adverse impact on the Company's wholesale customers and customer traffic in the Company's stores as a result of increased uncertainty and economic disruption caused by the COVID-19 pandemic; the stability of the European Union (including the impact of the United Kingdom's process to exit from the European Union); the stability of the United Kingdom after its exit from the European Union, and defaults on or downgrades of sovereign debt and the impact of any of those events on consumer spending; changes in consumer preferences and popularity of particular designs, new product development and introduction; decrease in mall traffic and increase in e-commerce; the ability of the Company to successfully implement its business strategies, competitive products and pricing; the impact of "smart" watches and other wearable tech products on the traditional watch market; seasonality; availability of alternative sources of supply in the case of the loss of any significant supplier or any supplier's inability to fulfill the Company's orders; the loss of or curtailed sales to significant customers; the Company's dependence on key employees and officers; the ability to successfully integrate the operations of acquired businesses without disruption to other business activities; the possible impairment of acquired intangible assets including goodwill if the carrying value of any reporting unit were to exceed its fair value; volatility in reported earnings resulting from changes in the estimated fair value of contingent acquisition consideration; the continuation of the Company's major warehouse and distribution centers; the continuation of licensing arrangements with third parties; losses possible from pending or future litigation; the ability to secure and protect trademarks, patents and other intellectual property rights; the ability to lease new stores on suitable terms in desired markets and to complete construction on a timely basis; the ability of the Company to successfully manage its expenses on a continuing basis; information systems failure or breaches of network security; the continued availability to the Company of financing and credit on favorable terms; business disruptions; and general risks associated with doing business outside the United States including, without limitation, import duties, tariffs (including retaliatory tariffs), quotas, political and economic stability, changes to existing laws or regulations, and success of hedging strategies with respect to currency exchange rate fluctuations.

These risks and uncertainties, along with the risk factors discussed under Item 1A. "Risk Factors" in the Company's 2020 Annual Report on Form 10-K, should be considered in evaluating any forward-looking statements contained in this report or incorporated by reference herein. All forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are qualified by the cautionary statements in this section. The Company undertakes no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report.

Critical Accounting Policies and Estimates

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

Critical accounting policies are those that are most important to the portrayal of the Company's financial condition and the results of operations and require management's most difficult, subjective and complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company's most critical accounting policies have been discussed in the Company's 2020 Annual Report on Form 10-K and are incorporated by reference herein.

In the first quarter of 2020, the Company adopted ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13). As a result of adoption, the Company replaced its methodology in determining the allowance for doubtful accounts which was based on an analysis of the aging of accounts receivable, assessments of collectability based on historical trends, the financial condition of the Company's customers and an evaluation of economic conditions with a methodology that reflects expected credit losses and requires the use of a forward-looking expected credit loss rate for its trade accounts receivables. The adoption had no material impact on the Company's Consolidated Financial Statements.

The Company performs its annual impairment assessment of goodwill and long-lived intangible assets at the beginning of the fourth quarter of each fiscal year. The Company determined that there was no impairment in fiscal 2020. During the three months ended April 30, 2020, in light of the COVID-19 induced closing of the Company's stores and the stores of the vast majority of the Company's wholesale customers (resulting in a decrease in revenues and gross margin), decrease in customer spending and the recent decline in the Company's market capitalization, the Company concluded that a triggering event had occurred during the first quarter, resulting in the need to perform a quantitative interim impairment assessment over the Company's Olivia Burton, MVMT and Company Stores' long-lived assets, as well as the Watch and Accessory reporting unit. The assessment concluded that the fair values of MVMT's tradename and customer relationships and Watch and Accessory reporting unit did not exceed their respective carrying values. This analysis resulted in impairment charges related to goodwill of \$133.7 million and intangible assets of \$22.2 million in the first quarter of fiscal 2021.

As of April 30, 2020, there have been no material changes to any of the Company's critical accounting policies other than the changes mentioned above.

Overview

The Company conducts its business in two operating segments: Watch and Accessory Brands and Company Stores. The Company's Watch and Accessory Brands segment includes the designing, manufacturing and distribution of watches and, to a lesser extent, jewelry and other accessories, of owned and licensed brands, in addition to revenue generated from after-sales service activities and shipping. The Company Stores segment includes the Company's physical retail outlet locations in the United States and Canada. The Company also operates in two major geographic locations: United States and International, the latter of which includes the results of all non-U.S. Company operations.

The Company divides its watch and accessory business into two principal categories: the owned brands category and the licensed brands category. The owned brands category consists of the Movado®, Concord®, Ebel®, Olivia Burton® and MVMT® brands. Products in the licensed brands category include the following brands manufactured and distributed under license agreements with the respective brand owners: Coach®, Tommy Hilfiger®, HUGO BOSS®, Lacoste®, SCUDERIA FERRARI® and Rebecca Minkoff® and Uri Minkoff®.

Gross margins vary among the brands included in the Company's portfolio and also among watch models within each brand. Watches in the Company's owned brands category generally earn higher gross margin percentages than watches in the licensed brands category. The difference in gross margin percentages within the licensed brands category is primarily due to the impact of royalty payments made on the licensed brands. Gross margins in the Company's e-commerce business generally earn higher gross margin percentages than those of the traditional wholesale business. Gross margins in the Company's outlet business are affected by the mix of product sold and may exceed those of the wholesale business since the Company earns margins on its outlet store sales from manufacture to point of sale to the consumer.

Recent Developments and Initiatives

COVID-19

In light of the COVID-19 pandemic, the Company's results of operations for the first quarter of fiscal 2021 may not be indicative of the results that the Company will experience in the full fiscal year 2021. In addition to the delivery delays from the Company's Chinese suppliers that resulted from factory closures in China during the initial phase of the crisis, the virus has now impacted the Company's worldwide operations as well as those of the Company's customers. In response to the outbreak, in mid-March 2020, the Company and the majority of the Company's wholesale customers closed all of their retail stores indefinitely due to health concerns associated with the COVID-19 pandemic; however, in certain regions, the Company's wholesale customers have begun to open their stores. Furthermore, various containment and mitigation measures that have been imposed by governmental and other authorities around the world (such as quarantines and other social distancing requirements) have materially adversely affected sales of the Company's products, which are heavily dependent on customer traffic in our Company Stores and in the stores of the Company's wholesale customers. The continuation or tightening of such measures would have a further material adverse effect on the Company's results of operations and financial condition. In addition, as the Company's potential customers face layoffs and other negative economic impacts from the COVID-19 outbreak, their disposable income for discretionary purchases and their actual or perceived wealth may be negatively impacted, potentially exacerbating the impact on the Company's net sales. The ongoing impact of the outbreak of COVID-19 on the Company's liquidity, revenues, impairment considerations surrounding the Company's indefinite and long-lived assets and results of operations cannot be reasonably predicted at this time due to the high level of uncertainty, unknown future developments, duration of containment measures and the timeline for recovery.

As of June 9, 2020, the Company has reopened 14 of its Company Stores.

In response to this challenging environment, while the Company's focus remains on the health and safety of our associates, customers and business partners, the Company is taking the following actions:

Revenue-Generating Activities

- Optimizing of the Company's e-commerce platforms, including the newly formed MCS.com, and ensuring that distribution centers remain operational across all major regions;
- Re-opening Company-owned stores throughout the U.S., Canada and the U.K. as quickly as practicable, while following governmental and public health guidelines; and
- Supporting the Company's wholesale customers as local containment measures ease throughout the world.

Eliminating Non-Essential Operating Costs Across All Key Areas of Spend

- Driving SG&A savings by minimizing all non-essential operating costs, right-sizing marketing expenses to the lower revenue base while maintaining a focus on digital, and driving procurement savings, including by reducing third party services.

Strengthening the Company's Balance Sheet and Enhancing Financial Flexibility

- Tightly managing inventories by delaying or cancelling inventory receipts as deliveries are prioritized; and
- Reducing capital expenditures while prioritizing investment in high-return projects particularly in digital.

Preserving Liquidity

- Drawing down an additional \$30.9 million under the Credit Agreement to add to cash balances;
- Suspending the Company's quarterly cash dividend beginning in the first quarter of fiscal 2021; and
- Suspending the share repurchase program.

Addressing Organizational Costs

- Temporarily reducing the Company's workforce, including approximately 80% of the Company's North American workforce effective April 6, 2020, through such time as circumstances warrant;
- Applying for available government payroll subsidy programs in various countries to mitigate payroll expense;
- Reducing salaries for the Company's salaried employees, including Chairman and Chief Executive Officer, Efraim Grinberg, who has volunteered to forego all salary during the furlough period. All remaining salaried employees have agreed to a salary reduction of 15% to 25% and the Board of Directors has waived the cash portion of their compensation during this period;

- Freezing the Company's match on executive deferred compensation plans and the Company's 401(k) match; and
- Reducing staffing to minimal levels at the Company's warehouses worldwide, focusing on servicing e-commerce customers.

In addition, the Company is developing a long-term strategy to reduce operating expenses, streamline the organization and maintain a high level of variable expenses enabling the Company to be more responsive to further shifts in trends and the retail environment.

The Company will continue to consider near-term demands and the long-term financial health of the business as steps are taken to mitigate the consequences of the COVID-19 pandemic and the uncertain business environment.

Fiscal 2021 Impairments

During the three months ended April 30, 2020, in light of the COVID-19 pandemic that resulted in the closing of the Company's stores and of the vast majority of the stores of the Company's wholesale customers (resulting in a decrease in revenues and gross margin), a decrease in customer spending and the recent decline in global equity markets, the Company concluded that a triggering event had occurred during the first quarter, resulting in the need to perform a quantitative interim impairment assessment over the Company's Olivia Burton, MVMT and Company Stores' long-lived assets as well as the Watch and Accessory reporting unit.

The Company made revisions to its internal forecasts, resulting in a reduction in both current and future expected cash flows, due to the COVID-19 pandemic and the uncertain business environment. As a result, during the first quarter of fiscal 2021, the Company recorded impairment charges related to goodwill of \$133.7 million and intangible assets related to MVMT's tradename and customer relationships of \$22.2 million.

During the first quarter of fiscal 2021, the Company recorded \$3.5 million of increases in inventory reserves and \$1.1 million increases in allowance for doubtful accounts, similarly driven by current and expected changes to operations as result of the COVID-19 pandemic.

Tariffs

Starting in July 2018, the Trump Administration announced a series of lists covering thousands of categories of Chinese origin products subject to potential U.S. special tariffs of 10% to 25% of import value, in addition to the regular tariffs that have historically applied to such products. Certain of the Company's packaging products became subject to a U.S. special 10% tariff in September 2018, which was increased to 25% effective May 10, 2019. In addition, all of the Company's smart watches became subject to a U.S. special 15% tariff on September 1, 2019, and in a third-party ruling, U.S. Customs and Border Patrol ("CBP") has taken the position that this U.S. special 15% tariff applies broadly to China-sourced cases and bands on watches assembled in China and other countries. Under this position, most of the cases and bands used in the production of the Company's traditional watches imported into the U.S. became subject to the U.S. special 15% tariff effective September 1, 2019. A pending request to CBP for reconsideration and revocation of the ruling has been filed on behalf of the Company and certain other watch importers on the basis that the CBP ruling is inconsistent with CBP's longstanding position that the country of origin of the movement confers the country of origin of a traditional watch. On January 15, 2020, the United States and China signed a "Phase One" trade agreement pursuant to which this 15% U.S. special tariff was reduced to 7.5%, effective February 14, 2020.

Results of operations for the three months ended April 30, 2020 as compared to the three months ended April 30, 2019

During the first quarter of fiscal 2021, the Company's and many of the wholesale customers have been impacted by closures, reduced store hours or reduced traffic. The Company has seen and expects to continue to see material reductions in sales as a result of the COVID-19 pandemic and the uncertain business environment. In addition, these reductions in sales have not been entirely offset by proportional decreases in expenses, as the Company continues to incur costs such as operating lease costs, depreciation expense, and certain other costs such as compensation and administrative expenses, resulting in a negative effect on the relationship between the Company's expenses and sales. The Company continues to take steps to manage the Company's resources by reducing or deferring capital expenditures, reducing advertising expenditures, reducing compensation costs, in part through employee furloughs, salary reductions and European government subsidies of a portion of employees' wages, as well as reducing overall operating expenses to mitigate the adverse impact of the pandemic. The current circumstances are dynamic and the impacts of the COVID-19 pandemic on the Company's business operations, including the duration and impact on overall consumer demand, cannot be reasonably predicted at this time. The Company anticipates the COVID-19 pandemic will have a material adverse impact on its business, results of operations, financial condition and cash flows for the year ending January 31, 2021. As the COVID-19 pandemic is complex and rapidly evolving, the Company's plans may change.

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

	Three Months Ended April 30,	
	2020	2019
Watch and Accessory Brands:		
United States	\$ 22,307	\$ 44,662
International	40,979	86,833
Total Watch and Accessory Brands	63,286	131,495
Company Stores:		
United States	6,227	14,832
International	153	222
Total Company Stores	6,380	15,054
Net Sales	<u>\$ 69,666</u>	<u>\$ 146,549</u>

Comparative net sales by categories were as follows (in thousands):

	Three Months Ended April 30,	
	2020	2019
Watch and Accessory Brands:		
Owned brands category	\$ 25,361	\$ 51,919
Licensed brands category	35,684	72,795
After-sales service and all other	2,241	6,781
Total Watch and Accessory Brands	63,286	131,495
Company Stores	6,380	15,054
Net Sales	<u>\$ 69,666</u>	<u>\$ 146,549</u>

Net Sales

Net sales for the three months ended April 30, 2020 were \$69.7 million, \$76.9 million or 52.5% below the prior year period. This decrease is primarily due to the COVID-19 pandemic. For the three months ended April 30, 2019, fluctuations in foreign currency exchange rates negatively impacted net sales by \$0.7 million when compared to the prior year period.

Watch and Accessory Brands Net Sales

Net sales for the three months ended April 30, 2020 in the Watch and Accessory Brands segment were \$63.3 million, below the prior year period by \$68.2 million, or 51.9%. The decrease in net sales was primarily attributable to the COVID-19 pandemic and the resultant closure of the stores of the Company's wholesale customers during the period. There were decreases in net sales in both the United States and International locations of the Watch and Accessory Brands segment.

United States Watch and Accessory Brands Net Sales

Net sales for the three months ended April 30, 2020 in the United States locations of the Watch and Accessory Brands segment were \$22.3 million, below the prior year period by \$22.4 million, or 50.1%, resulting from net sales decreases across all brands in both the owned and licensed brand categories due to the COVID-19 pandemic. The net sales recorded in the owned brands category decreased by \$15.2 million, or 48.5%, and net sales recorded in the licensed brand category decreased \$4.2 million, or 45.8%.

International Watch and Accessory Brands Net Sales

Net sales for the three months ended April 30, 2020 in the International locations of the Watch and Accessory Brands segment were \$41.0 million, below the prior year by \$45.8 million, or 52.8%, which included fluctuations in foreign currency exchange rates which unfavorably impacted net sales by \$0.7 million when compared to the prior year period. The decrease in net sales were across all brands in both the owned and licensed brand categories due to the COVID-19 pandemic. The net sales decrease recorded in the owned brands category was \$11.3 million, or 55.3% and is due to sales decreases primarily in Europe, the Americas (excluding the United States), Asia, and the Middle East. The net sales decrease in the licensed brands category was \$32.9 million, or 51.7%, primarily due to net sales decreases in Europe, the Americas (excluding the United States), Asia and the Middle East.

Company Stores Net Sales

Net sales for the three months ended April 30, 2020 in the Company Stores segment were \$6.4 million, \$8.7 million or 57.6% below the prior year period. The net sales decrease in comparable stores is primarily the result of the closure of the Company's retail stores in mid-March in response to the COVID-19 pandemic. This decrease was offset by the addition of new stores that did not exist in the prior-year period but contributed to sales in the current period prior to the COVID-19 related closures in mid-March. As of April 30, 2020, and 2019, the Company operated 47 and 44 retail outlet locations, respectively.

Gross Profit

Gross profit for the three months ended April 30, 2020 was \$31.9 million or 45.8% of net sales as compared to \$78.9 million or 53.8% of net sales in the prior year period. The decrease in gross profit of \$47.0 million was primarily due to lower net sales and a lower gross margin percentage. The decrease in the gross margin percentage of approximately 800 basis points for the three months ended April 30, 2020 resulted primarily from corporate initiatives related to an increase in inventory reserves in response to the COVID-19 pandemic of approximately 500 basis points, the decreased deleveraging of certain fixed costs as a result of lower sales of approximately 150 basis points, additional U.S. special tariffs of approximately 70 basis points, an unfavorable impact of sales mix of approximately 60 basis points and a negative impact of fluctuations in foreign currency exchange rates of approximately 30 basis points.

Selling, General and Administrative ("SG&A")

SG&A expenses for the three months ended April 30, 2020 were \$58.1 million, representing a decrease from the prior year period of \$15.8 million, or 21.3%, primarily from lower marketing expenses of \$9.8 million; a decrease in payroll related expenses of \$5.0 million primarily as a result of the furloughing of employees, salary reductions and European government subsidies starting at the beginning of April in response to the COVID-19 pandemic; a decrease of \$2.7 million in trade show costs due to the cancellation of a global customer event due to COVID-19 health concerns and travel restrictions; a \$0.8 million decrease in consulting and recruiting charges and a decrease of \$0.6 million in travel and entertainment charges due to travel restrictions related to the COVID-19 pandemic. The decrease in SG&A was partially offset by an increase in corporate initiative charges primarily in response to the COVID-19 pandemic of \$3.7 million consisting of \$1.5 million in write-off of unrefunded trade show deposits, \$1.1 million in additional accounts receivable reserves and \$1.1 million in restructuring charges. For the three months ended April 30, 2020, fluctuations in foreign currency rates related to the foreign subsidiaries positively impacted SG&A expenses by \$0.2 million when compared to the prior year period.

Impairment of Goodwill and Intangible Assets

As a result of the economic conditions caused by the response to COVID-19, the Company performed a quantitative assessment of its goodwill and long-lived intangible assets at April 30, 2020. The Company recorded a goodwill impairment of \$133.7 million related to the Company's Watch and Accessory reporting unit as the carrying value of goodwill exceeded the fair value at April 30, 2020. The Company also recorded a \$22.2 million impairment charge related to MVMT's trade name and customer relationships as the carrying amount of these long-lived intangible assets exceeded the fair value.

Watch and Accessory Brands Operating (Loss)/Income

For the three months ended April 30, 2020 the Company recorded an operating loss of \$179.6 million in the Watch and Accessory Brands segment which included goodwill and intangible assets impairment charges of \$133.7 million and \$22.2 million, respectively. Without these charges, for the three months ended April 30, 2020, operating loss would have been \$23.7 million as compared to operating income of \$3.1 million for the three months ended April 30, 2019, which includes \$6.0 million and \$9.0 million of unallocated corporate expenses as well as \$11.1 million and \$13.0 million, respectively, of certain intercompany profits related to the Company's supply chain operations. In addition to the assets impairments, the decrease in operating income was the result of a decrease in gross profit of \$41.6 million, which included corporate initiative costs of \$3.5 million comprising an increase in inventory reserves, partially offset by a decrease in SG&A expenses of \$14.8 million when compared to the prior year period. The decrease in gross profit was the result of lower gross margin percentage and lower sales. The decrease in SG&A expenses of \$14.8 million resulted primarily from lower marketing expenses of \$9.8 million; a decrease in payroll related expenses of \$4.1 million primarily as a result of the furloughing of employees, salary reductions and European government subsidies starting at the beginning of April in response to the COVID-19 pandemic; a decrease of \$2.7 million in trade show costs due to the cancellation of a global customer trade show due to COVID-19 health concerns and travel restrictions; a \$0.8 million decrease in consulting and recruiting charges and a decrease of \$0.6 million in travel and entertainment charges due to travel restrictions related to the COVID-19 pandemic. The decrease in SG&A was partially offset by an increase in corporate initiative charges primarily in response to the COVID-19 pandemic of \$3.7 million consisting of \$1.5 million in write-off of unrefunded trade show deposits, \$1.1 million in additional accounts receivable reserves and \$1.1 million in restructuring charges. For the three months ended April 30, 2020, fluctuations in foreign currency exchange rates positively impacted the Watch and Accessory Brands segment operating loss by \$0.1 million when compared to the prior year period.

U.S. Watch and Accessory Brands Operating Loss

For the three months ended April 30, 2020 the Company recorded an operating loss of \$117.6 million in the United States locations of the Watch and Accessory Brands segment which included goodwill and impairment charges of \$77.5 million and \$22.2 million, respectively. Without these charges, for the three months ended April 30, 2020, operating loss would have been \$17.9 million as compared to operating loss of \$10.8 million for the three months ended April 30, 2019, which includes unallocated corporate expenses of \$6.0 million and \$9.0 million, respectively. In addition to the assets impairments, the increase in operating loss was the result of lower gross profit of \$17.7 million, which included corporate initiative costs of \$3.5 million comprising an increase in inventory reserves, partially offset by lower SG&A expenses of \$10.6 million. The decrease in gross profit of \$17.7 million was due to lower sales and a lower gross margin percentage. The decrease in SG&A expenses of \$10.6 million resulted primarily from lower marketing costs of \$7.1 million; a decrease in payroll related expenses of \$3.1 million primarily as a result of the furloughing of employees and salary reductions starting at the beginning of April in response to the COVID-19 pandemic; a decrease of \$0.4 million in consulting and recruiting charges and a decrease of \$0.3 million in travel and entertainment charges due to travel restrictions related to the COVID-19 pandemic. The decrease in SG&A was partially offset by an increase in corporate initiative charges primarily in response to the COVID-19 pandemic of \$1.2 million consisting of \$1.1 million in additional accounts receivable reserves and \$0.1 million in restructuring charges.

International Watch and Accessory Brands Operating (Loss)/Income

For the three months ended April 30, 2020 the Company recorded an operating loss of \$62.0 million in the International locations of the Watch and Accessory Brands segment which included goodwill impairment charges of \$56.2 million. Without these charges, for the three months ended April 30, 2020, operating loss would have been \$5.8 million as compared to operating income of \$13.9 million for the three months ended April 30, 2019, which amounts include \$11.1 million and \$13.0 million, respectively, of certain intercompany profits related to the Company's International supply chain operations. In addition to the goodwill impairment charges, the decrease in operating income was primarily related to lower gross profit of \$23.9 million, partially offset by lower SG&A expenses of \$4.2 million. The decrease in gross profit of \$23.9 million was primarily related to lower net sales and a lower gross margin percentage. The decrease in SG&A expenses of \$4.2 million resulted primarily from lower marketing costs of \$2.7 million; a decrease in payroll related expense of \$1.0 million primarily as a result of the furloughing of employees, salary reductions and European government subsidies starting at the beginning of April in response to the COVID-19 pandemic; a decrease of \$2.7 million in trade show costs due to cancellation of a global customer event due to COVID-19 health concerns and travel restrictions; a decrease in \$0.4 million in consulting and recruiting charges; and a decrease of \$0.3 million in travel and entertainment charges due to travel restrictions related to the COVID-19 pandemic. The decrease in SG&A was partially offset by an increase in corporate initiative charges primarily in response to the COVID-19 pandemic of \$2.5 million consisting of \$1.5 million in write-off of unrefunded trade show deposits and \$1.0 million in restructuring charges. Fluctuation in foreign currency exchange rates positively impacted operating loss by \$0.1 million when compared to the prior year period.

Company Stores Operating (Loss)/Income

The Company recorded operating loss of \$2.5 million and operating income \$1.9 million in the Company Stores segment for the three months ended April 30, 2020 and 2019, respectively. The decrease in operating income of \$4.4 million was primarily related to lower gross profit of \$5.4 million partially offset by lower SG&A expenses of \$1.0 million. The decrease in SG&A expenses of \$1.0 million was primarily due to a decrease in payroll related expenses of \$0.9 million due to the closing of the Company's stores and the furloughing of employees due to the COVID-19 pandemic. As of April 30, 2020, and 2019, the Company operated 47 and 44 retail outlet locations, respectively.

Income Taxes

The Company recorded an income tax benefit of \$32.3 million and an income tax expense of \$0.8 million for the three months ended April 30, 2020 and 2019, respectively.

The effective tax rate was 17.7% for both three months ended April 30, 2020 and 2019, respectively. The significant components of the effective tax rate changed primarily due to the recording of valuation allowances on certain foreign deferred tax assets and impairments of the portion of goodwill of the Watch and Accessory reporting unit which is not tax deductible, both of which occurred during the first quarter of fiscal 2021. These changes were partially offset by changes in foreign profits in lower tax jurisdictions and the impact of the CARES Act, which enables the Company to carry back U.S. net operating losses generated in fiscal 2021 into prior taxable years with a U.S. statutory tax rate of 35.0%.

The effective tax rate for the three months ended April 30, 2020 differs from the U.S. statutory tax rate of 21.0% primarily due to impairments of the portion of goodwill of the Watch and Accessory reporting unit which is not tax deductible, partially offset by the impact of the CARES Act, which enables the Company to carry back U.S. net operating losses generated in fiscal 2021 into prior taxable years with a U.S. statutory tax rate of 35.0%.

The effective tax rate for the three months ended April 30, 2019 differs from the U.S. statutory tax rate of 21.0% primarily due to foreign profits in lower tax jurisdictions and excess tax benefits related to stock-based compensation, partially offset by no tax benefit being recognized on operating results of certain foreign subsidiaries.

Net (Loss)/ Income Attributable to Movado Group, Inc.

The Company recorded net loss attributable to Movado Group, Inc. of \$150.0 million and net income attributable to Movado Group, Inc. of \$3.9 million, for the three months ended April 30, 2020 and 2019, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company believes that cash flows from operations and its credit lines and on-hand cash provide adequate funds to support its operating, capital and debt service requirements for the next twelve months subsequent to the issuance of these financial statements. During the fiscal year ended January 31, 2020 the Company's liquidity needs were funded through cash from operations. However, during the first quarter of fiscal 2021, the Company's cash generated from operations was negatively impacted due to widespread closures of the Company's retail locations and the Company's wholesale customers' stores as a result of the COVID-19 pandemic and the Company borrowed \$30.9 million under its revolving credit facility as a precautionary measure in order to increase the Company's cash position and preserve liquidity given the upcoming uncertainty in global markets from the COVID-19 pandemic. Given the disruption to the Company's business caused by the COVID-19 pandemic, in June 2020, the Company amended its credit agreement to provide for temporary relief under some of the Company's financial covenants for a specified period. Although the Company believes it has adequate sources of liquidity over the long term, continued uncertainty surrounding the COVID-19 pandemic, an economic recession or a slow recovery could adversely affect the Company's business and liquidity.

In response to the uncertainty, the Company has taken other actions to reinforce its liquidity and financial flexibility. Specific actions that the Company is undertaking include, but are not limited to, actively reducing SG&A expense by minimizing non-essential operating costs, right-sizing marketing expenses to the lower revenue base while maintaining a focus on digital, driving procurement savings, including by reducing third party services, tightly managing inventories by delaying or cancelling inventory receipts as deliveries are prioritized, reducing capital expenditures while prioritizing investment in high-return projects particularly in digital and suspending quarterly dividend and share repurchases for the foreseeable future.

At April 30, 2020 the Company had working capital of \$348.9 million as compared to \$335.1 million at April 30, 2019. The increase in working capital was primarily the result of additional cash and cash equivalents of \$37.1 million primarily due to an increase in borrowings and a decrease in accounts payable. These factors were offset by a decrease in accounts receivable resulting primarily from lower sales due to the COVID-19 pandemic. The Company defines working capital as the difference between current assets and current liabilities.

The Company had \$25.6 million of cash used in operating activities for the three months ended April 30, 2020 as compared to \$25.6 million of cash used in operating activities for the three months ended April 30, 2019. Cash used by operating activities for the quarter ended April 30, 2020 included net loss attributable to the Movado Group, Inc. of \$150.0 million, positively adjusted by \$127.5 million related to non-cash items. Cash used in operating activities included a decrease in accounts payable and accrued liabilities totaling \$21.8 million primarily as a result of a reduction in expenditures during the quarter and timing of payments to vendors and an increase in investment in inventories of \$10.3 million primarily due to lower sales resulting from the COVID-19 pandemic. Cash provided by operating activities for the quarter ended April 30, 2020 included a \$25.4 million decrease in trade receivables primarily due to lower sales resulting from the COVID-19 pandemic and an increase in income taxes payable of \$4.8 million due to timing of tax payments.

Cash used in investing was \$1.0 million for the three months ended April 30, 2020 as compared to \$2.3 million for the three months ended April 30, 2019. The cash used in the three months ended April 30, 2020 was primarily related to the construction of shop-in-shops at some of the Company's wholesale customers.

Cash provided by financing activities was \$30.5 million for the three months ended April 30, 2020 as compared to cash used by financing activities of \$8.4 million for the three months ended April 30, 2019. The cash provided in the three months ended April 30, 2020 included proceeds from bank borrowings of \$30.9 million as a precautionary measure in order to increase the Company's cash position, preserve financial flexibility and maintain liquidity in response to the COVID-19 pandemic, offset by \$0.4 million stock awards exercised, net of \$0.4 million of shares repurchased as a result of the surrender of shares in connection with the vesting of certain stock awards. In response to the COVID-19 pandemic, the Company has suspended its quarterly dividend and share repurchases effective the first quarter of fiscal 2021. The Company paid \$4.6 million in dividends and \$2.6 million in share repurchases during the first quarter of fiscal 2020.

On October 12, 2018, the Company, together with Movado Group Delaware Holdings Corporation, Movado Retail Group, Inc. and Movado LLC (together with the Company, the “U.S. Borrowers”), each a wholly owned domestic subsidiary of the Company, and Movado Watch Company S.A. and MGI Luxury Group S.A. (collectively, the “Swiss Borrowers” and, together with the U.S. Borrowers, the “Borrowers”), each a wholly owned Swiss subsidiary of the Company, entered into an Amended and Restated Credit Agreement (the “Credit Agreement”) with the lenders party thereto and Bank of America, N.A. as administrative agent (in such capacity, the “Agent”). The Credit Agreement amends and restates the Company’s prior credit agreement dated as of January 30, 2015 (the “Prior Credit Agreement”) and extends the maturity of the \$100.0 million senior secured revolving credit facility (the “Facility”) provided thereunder to October 12, 2023. The Facility includes a \$15.0 million letter of credit subfacility, a \$25.0 million swingline subfacility and a \$75.0 million sublimit for borrowings by the Swiss Borrowers, with provisions for uncommitted increases to the Facility of up to \$50.0 million in the aggregate subject to customary terms and conditions.

On June 5, 2020, the Company and its lenders entered into an amendment (the “Second Amendment”) to the Credit Agreement effective as of April 30, 2020. Among other things, the Second Amendment provides for the following temporary relief with respect to the financial maintenance covenants in the Credit Agreement from April 30, 2020 through the date on which the Company delivers a compliance certificate in respect of the period ended July 31, 2021 (or earlier if the Company demonstrates satisfaction of certain earnings and leverage milestones) (the “Suspension Period”): (i) the maximum consolidated leverage ratio is increased from 2.50 to 1.0 to 2.75 to 1.0 for the four quarter period ended April 30, 2020 and suspended thereafter until the end of the Suspension Period when it resumes at 2.50 to 1.0 and (ii) the minimum EBITDA covenant levels are reduced. In addition, the Second Amendment provides that (i) through April 30, 2021, the Company is required to maintain minimum liquidity (comprised of unrestricted cash and cash equivalents and unutilized commitments under the Credit Agreement) of \$100.0 million, (ii) during the Suspension Period, certain covenants, including covenants related to dividends, debt incurrence, investments and capital expenditures, have been tightened and (iii) during the Suspension Period, the interest rate for borrowings under the Credit Agreement is increased to LIBOR plus 2.75% per annum and the commitment fee in respect of the unutilized commitments is increased to 0.45% per annum. In addition, the Second Amendment permanently increased the LIBOR floor for loans under the Credit Agreement from 0% to 1.00% and permanently reduced the minimum EBITDA financial covenant level to \$35.0 million starting with the four-quarter period ending July 31, 2021. The foregoing summary of the Second Amendment is qualified by reference to the full text of the amendment, which is attached as Exhibit 4.1 hereto and incorporated herein by reference.

As of April 30, 2020, and April 30, 2019, there was 70.0 million and 50.0 million in Swiss Francs, respectively (with a dollar equivalent of \$72.5 million and \$49.1 million, respectively), in addition to \$10.0 million as of April 30, 2020, in loans outstanding under the Facility. Availability under the Facility was reduced by the aggregate number of letters of credit outstanding, issued in connection with retail and operating facility leases to various landlords and for Canadian payroll to the Royal Bank of Canada, totaling approximately \$0.3 million at both April 30, 2020 and April 30, 2019. At April 30, 2020, the letters of credit have expiration dates through June 1, 2020. As of April 30, 2020, and April 30, 2019, availability under the Facility was \$17.2 million and \$50.6 million, respectively. For additional information regarding the Facility, see Note 8 – Debt and Lines of Credit to the Consolidated Financial Statements.

The Company had weighted average borrowings under the facility of \$65.6 million and \$49.8 million during the three months ended April 30, 2020 and 2019, respectively, with a weighted average interest rate of 1.17% and 1.00% during the three months ended April 30, 2020 and 2019, respectively.

A Swiss subsidiary of the Company maintains unsecured lines of credit with an unspecified maturity with a Swiss bank. As of April 30, 2020, and 2019, these lines of credit totaled 6.5 million Swiss Francs for both periods, with a dollar equivalent of \$6.7 million and \$6.4 million, respectively. As of April 30, 2020, and 2019, there were no borrowings against these lines. As of April 30, 2020, and 2019, two European banks had guaranteed obligations to third parties on behalf of two of the Company’s foreign subsidiaries in the dollar equivalent of \$1.2 million, and \$1.1 million, respectively, in various foreign currencies, of which \$0.6 million and \$0.5 million, respectively, was a restricted deposit as it relates to lease agreements.

Cash paid for interest, including unused commitments fees, was \$0.2 million for the three months ended April 30, 2020 and April 30, 2019.

The Company did not pay cash dividends during the three months ended April 30, 2020. The Company paid cash dividends of \$0.20 per share or \$4.6 million during the three months ended April 30, 2019. The decision of whether to declare any future cash dividend, including the amount of any such dividend and the establishment of record and payment dates, will be determined, in each quarter, by the Board of Directors, in its sole discretion. The Company is committed to resuming dividend payments when the environment and its business stabilize and dividends are permitted by the terms of its revolving credit facility (see Note 8 – Debt and Lines of Credit).

On August 29, 2017, the Board approved a share repurchase program under which the Company is authorized to purchase up to \$50.0 million of its outstanding common stock from time to time, depending on market conditions, share price and other factors. Under this program the Company may purchase shares of its common stock through open market purchases, repurchase plans, block trades or otherwise through August 29, 2020. See Note 8 – Debt and Lines of Credit – for restrictions on share repurchase under the Company’s revolving credit facility. During the three months ended April 30, 2020, the Company did not repurchase any shares of its common stock. At April 30, 2020, \$36.4 million remains available for purchase under the Company’s repurchase program.

Off-Balance Sheet Arrangements

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

Accounting Changes and Recent Accounting Pronouncements

See Note 3- Recent Accounting Pronouncements to the accompanying unaudited Consolidated Financial Statements for a description of certain accounting changes and recent accounting pronouncements which may impact the Company’s Consolidated Financial Statements in future reporting periods.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Rate Risk

The Company’s primary market risk exposure relates to foreign currency exchange risk (see Note 9 – Derivative Financial Instruments to the Consolidated Financial Statements). A significant portion of the Company’s purchases are denominated in Swiss Francs and, to a lesser extent, the Japanese Yen. The Company also sells to third-party customers in a variety of foreign currencies, most notably the Euro, Swiss Franc and the British Pound. The Company reduces its exposure to the Swiss Franc, Euro, British Pound, Chinese Yuan and Japanese Yen exchange rate risk through a hedging program. Under the hedging program, the Company manages most of its foreign currency exposures on a consolidated basis, which allows it to net certain exposures and take advantage of natural offsets. The earnings impact is mostly offset by the effects of currency movements on the underlying hedged transactions. To the extent that the Company does not engage in a hedging program, any change in the Swiss Franc, Euro, British Pound, Chinese Yuan and Japanese Yen exchange rates to local currency would have an equal effect on the Company’s earnings.

From time to time the Company uses forward exchange contracts, which do not meet the requirements of qualified hedges, to offset its exposure to certain foreign currency receivables and liabilities. These forward contracts are not designated as qualified hedges and, therefore, changes in the fair value of these derivatives are recognized in earnings in the period they arise, thereby offsetting the current earnings effect resulting from the revaluation of the related foreign currency receivables and liabilities.

As of April 30, 2020, the Company’s entire net forward contracts hedging portfolio consisted of 38.4 million Chinese Yuan equivalent, 12.0 million Swiss Francs equivalent, 9.8 million US dollars equivalent, 17.9 million Euros equivalent and 2.5 million British Pounds equivalent with various expiry dates ranging through September 10, 2020, compared to a portfolio of 40.4 million Chinese Yuan equivalent, 31.0 million Swiss Francs equivalent, 15.3 million US dollars equivalent, 14.2 million Euros equivalent and 1.9 million British Pounds equivalent with various expiry dates ranging through October 29, 2019, as of April 30, 2019. If the Company were to settle its Swiss Franc forward contracts at April 30, 2020, the net result would be an immaterial loss. As of April 30, 2020, the Company’s British Pound, Chinese Yuan, US Dollar and Euro forward contracts had no gain or loss. The Company had no cash flow hedges as of April 30, 2020 and April 30, 2019, respectively.

Commodity Risk

The Company considers its exposure to fluctuations in commodity prices to be primarily related to gold used in the manufacturing of the Company’s watches. Under its hedging program, the Company can purchase various commodity derivative instruments, primarily futures contracts. When held, these derivatives are documented as qualified cash flow hedges, and the resulting gains and losses on these derivative instruments are first reflected in other comprehensive income, and later reclassified into earnings, partially offset by the effects of gold market price changes on the underlying actual gold purchases. The Company did not hold any future contracts in its gold hedge portfolio as of April 30, 2020 and 2019, thus, any changes in the gold purchase price will have an equal effect on the Company’s cost of sales.

Debt and Interest Rate Risk

Floating rate debt at April 30, 2020 and 2019 totaled \$82.5 million (70 million in Swiss francs and \$10 million) and \$49.1 million (50 million in Swiss francs), respectively. The debt outstanding at April 30, 2020 is based on LIBOR plus a spread ranging from 1.00% to 1.75% per annum or on a base rate plus a spread ranging from 0% to 0.75% per annum, with the spread in each case being based on the Company's consolidated leverage ratio (as defined in the credit agreement). As of April 30, 2020, the Company had weighted average borrowings of \$65.6 million with a weighted average interest rate of 1.17%. As of April 30, 2020, the Company's spreads were 1.25% over LIBOR and 0.25% over the base rate. The Company does not hedge these interest rate risks. Based on the average floating rate debt outstanding during the three months ended April 30, 2020, a one-percent increase or decrease in the average interest rate during the period would have resulted in a change to interest expense of \$0.2 million for the three months ended April 30, 2020.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as such terms are defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective at a reasonable assurance level as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the three months ended April 30, 2020, that have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in legal proceedings and claims from time to time, in the ordinary course of its business. Legal reserves are recorded in accordance with the accounting guidance for contingencies. Contingencies are inherently unpredictable and it is possible that results of operations, balance sheets or cash flows could be materially and adversely affected in any particular period by unfavorable developments in, or resolution or disposition of, such matters. For those legal proceedings and claims for which the Company believes that it is probable that a reasonably estimable loss may result, the Company records a reserve for the potential loss. For proceedings and claims where the Company believes it is reasonably possible that a loss may result that is materially in excess of amounts accrued for the matter, the Company either discloses an estimate of such possible loss or range of loss or includes a statement that such an estimate cannot be made.

In December 2016, U.S. Customs and Border Protection (“U.S. Customs”) issued an audit report concerning the methodology used by the Company to allocate the cost of certain watch styles imported into the U.S. among the component parts of those watches for tariff purposes. The report disputes the reasonableness of the Company’s historical allocation formulas and proposes an alternative methodology that would imply approximately \$5.1 million in underpaid duties over the five-year period covered by the statute of limitations, plus possible penalties and interest. The Company believes that U.S. Customs’ alternative duty methodology and estimate are not consistent with the Company’s facts and circumstances and is disputing U.S. Customs’ position. The Company continues to provide U.S. Customs with supplemental analyses and information supporting the Company’s historical allocation formulas. Although the Company disagrees with U.S. Customs’ position, it cannot predict with any certainty the outcome of this matter. The Company intends to continue to work with U.S. Customs to reach a mutually-satisfactory resolution.

In addition to the above matter, the Company is involved in other legal proceedings and contingencies, the resolution of which is not expected to materially affect its financial condition, future results of operations beyond the amounts accrued, or cash flows.

Item 1A. Risk Factors

As of April 30, 2020, there have been no material changes to any of the risk factors previously reported in the Company’s 2020 Annual Report on Form 10-K.

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

On August 29, 2017, the Board approved a share repurchase program under which the Company is authorized to purchase up to \$50.0 million of its outstanding common stock from time to time through August 29, 2020, depending on market conditions, share price and other factors. The Company may purchase shares of its common stock through open market purchases, repurchase plans, block trades or otherwise. During the three months ended April 30, 2020, the Company did not repurchase any shares of its common stock.

At the election of an employee, upon the vesting of a stock award or the exercise of a stock option, shares of common stock having an aggregate value on the vesting of the award or the exercise date of the option, as the case may be, equal to the employee’s withholding tax obligation may be surrendered to the Company by netting them from the vested shares issued. Similarly, shares having an aggregate value equal to the exercise price of an option may be tendered to the Company in payment of the option exercise price and netted from the shares of common stock issued upon the option exercise. An aggregate of 36,923 shares were repurchased during the three months ended April 30, 2020 as a result of the surrender of shares of common stock in connection with the vesting of certain restricted stock awards and stock options.

The following table summarizes information about the Company's purchases for the three months ended April 30, 2020 of equity securities that are registered by the Company pursuant to Section 12 of the Securities Exchange Act of 1934, as amended:

Issuer Repurchase of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Amount that May Yet Be Purchased Under the Plans or Programs
February 1, 2020 – February 29, 2020	3,028	\$ 15.85	—	\$ 36,405,816
March 1, 2020 – March 31, 2020	—	—	—	36,405,816
April 1, 2020 – April 30, 2020	33,895	9.41	—	36,405,816
Total	<u>36,923</u>	<u>\$ 9.94</u>	<u>—</u>	<u>\$ 36,405,816</u>

Item 5. Other Information

On June 5, 2020, the Company entered into an amendment (the "Second Amendment") to the Company's Amended and Restated Credit Agreement (the "Credit Agreement") dated October 12, 2018 with the lenders party thereto and Bank of America, N.A., as administrative agent, governing the terms of the Company's \$100.0 million senior secured revolving credit facility. Among other things, the Second Amendment provides for the following temporary relief with respect to the financial maintenance covenants in the Credit Agreement from the Second Amendment's effective date of April 30, 2020 through the date on which the Company delivers a compliance certificate in respect of the period ended July 31, 2021 (or earlier if the Company demonstrates satisfaction of certain earnings and leverage milestones) (the "Suspension Period"): (i) the maximum consolidated leverage ratio is increased from 2.50 to 1.0 to 2.75 to 1.0 for the four quarter period ended April 30, 2020 and suspended thereafter until the end of the Suspension Period when it resumes at 2.50 to 1.0 and (ii) the minimum EBITDA covenant levels are reduced. In addition, the Second Amendment provides that (i) through April 30, 2021, the Company is required to maintain minimum liquidity (comprised of unrestricted cash and cash equivalents and unutilized commitments under the Credit Agreement) of \$100.0 million, (ii) during the Suspension Period, certain covenants, including covenants related to dividends, debt incurrence, investments and capital expenditures, have been tightened and (iii) during the Suspension Period, the interest rate for borrowings under the Credit Agreement is increased to LIBOR plus 2.75% per annum and the commitment fee in respect of the unutilized commitments is increased to 0.45% per annum. In addition, the Second Amendment permanently increased the LIBOR floor for loans under the Credit Agreement from 0% to 1.00% and permanently reduced the minimum EBITDA financial covenant level to \$35.0 million starting with the four-quarter period ending July 31, 2021. The foregoing summary of the Second Amendment is qualified by reference to the full text of the amendment, which is attached as Exhibit 4.1 hereto and incorporated herein by reference.

Item 6. Exhibits

- 4.1 [Second Amendment, dated June 5, 2020 and effective April 30, 2020, to the Amended and Restated Credit Agreement, dated as of October 12, 2018, among the Company, certain U.S. and Swiss subsidiaries thereof, the lenders party thereto and Bank of America, N.A. as administrative agent.](#)
- 10.1* [License Agreement among Tommy Hilfiger Licensing LLC, Movado Group, Inc. and Swissam Products Limited, effective as of January 1, 2020, amending and restating the prior license agreement among such parties dated September 16, 2009.](#)
- 31.1 [Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following financial information from Movado Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended April 30, 2020 filed with the SEC, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to the Consolidated Financial Statements. XBRL Instance Document – the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document.
- 104 Cover Page Interactive Data File, formatted in Inline Extensible Business Reporting Language (iXBRL).

* Certain portions of this exhibit have been redacted pursuant to Item 601(b)(10)(iv) of Regulation S-K. The Company agrees to furnish supplementally an unredacted copy of the exhibit to the Securities and Exchange Commission upon its request.

SIGNATURE

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

MOVADO GROUP, INC.
(Registrant)

Dated: June 9, 2020

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

AMENDMENT NO. 2 TO CREDIT AGREEMENT

This Amendment No. 2 to Credit Agreement (this “Amendment”), dated as of June 5, 2020 (the “Execution Date”) and effective as of April 30, 2020 (the “Effective Date”), is made by and among Movado Group, Inc., a New York corporation (“Parent”), Movado Group Delaware Holdings Corporation, a Delaware corporation, Movado LLC, a Delaware limited liability company, Movado Retail Group, Inc., a New Jersey corporation, MGI Luxury Group S.A., a company organized and existing under the laws of Switzerland, Movado Watch Company SA, a company organized and existing under the laws of Switzerland (collectively, with Parent, the “Borrowers”), MGI Luxury Group, B.V., a private company with limited liability incorporated under the laws of the Netherlands (“MGI BV”), Movado Group Nederland B.V., a private company with limited liability incorporated under the laws of the Netherlands (“Nederland BV” and, together with MGI BV, the “Guarantors” and, collectively with the Borrowers, the “Loan Parties”), the Lenders party hereto and Bank of America, N.A., in its capacity as administrative agent (in such capacity, the “Administrative Agent”) under that certain Amended and Restated Credit Agreement, dated as of October 12, 2018 (as amended, modified, extended, restated, replaced, or supplemented from time to time, the “Credit Agreement”), by and among the Borrowers, the Guarantors, the Lenders, and the Administrative Agent. Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

WHEREAS, the Borrowers have requested that the Administrative Agent and the Lenders make certain amendments to the Credit Agreement and, subject to the terms and conditions herein, the Administrative Agent and the Lenders have agreed to such amendments on the terms provided herein, to be effective as of the Effective Date; and

WHEREAS, the Loan Parties, the Administrative Agent and the Lenders each acknowledge that the terms of this Amendment constitute a modification to, and not a novation or extinguishment of, the Credit Agreement and the other Loan Documents and except as expressly modified herein, all terms, conditions, rights and obligations as set out in the Loan Documents are hereby reaffirmed and shall otherwise remain in full force and effect as originally written and agreed.

NOW, THEREFORE, in consideration of the foregoing premises, which are confirmed by the parties hereto as a true, correct and substantive part of this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Amendments to Credit Agreement.** The Credit Agreement is hereby amended as follows:

(a) Section 1.01 is amended by adding the following definitions in proper alphabetical order:

“Affected Financial Institution” means (a) any EEA Financial Institution or (b) any UK Financial Institution.

“Resolution Authority” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“Second Amendment” means that certain Amendment No. 2 to Credit Agreement by and among the Loan Parties, the Administrative Agent and the Lenders party thereto dated as of June 5, 2020 and effective as of the Second Amendment Effective Date.

“Second Amendment Effective Date” means April 30, 2020.

“Second Amendment Execution Date” means June 5, 2020.

“Suspension Period” means the period from the Second Amendment Effective Date through the Suspension Period Termination Date.

“Suspension Period Termination Conditions” means (a) Consolidated EBITDA for and as of the end of the Measurement Period ending on the proposed Suspension Period Termination Date, or, if a Measurement Period is not ending on such date, the Measurement Period most recently ended prior to such date, is at least \$35,000,000 and (b) the Consolidated Leverage Ratio as of the proposed Suspension Period Termination Date is less than or equal to the ratio of 2.50 to 1.00.

“Suspension Period Termination Date” means the earlier of (a) the date on which the Compliance Certificate for the period ending July 31, 2021 is delivered to Administrative Agent in accordance with Section 6.02(a) or (b) the date upon which the Administrative Agent receives a certificate of a Responsible Officer of the Parent certifying that the Suspension Period Termination Conditions have been satisfied together with supporting calculations demonstrating such satisfaction in form and substance satisfactory to the Administrative Agent.

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person subject to IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“UK Resolution Authority” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

(b) The final paragraph of the definition of “Applicable Rate” in Section 1.01 is amended and restated as follows:

“Notwithstanding anything to the contrary contained in this definition, (a) the determination of the Applicable Rate for any period shall be subject to the provisions of Section 2.10(b) and (b) the Applicable Rate and Commitment Fee during the Suspension Period shall be as set forth below:

	Applicable Rate for Eurocurrency Rate Loans and Letter of Credit Fees	Applicable Rate for Base Rate Loans	Commitment Fee
Suspension Period:	2.750%	1.750%	0.450%

Any adjustment in the Applicable Rate shall be applicable to all Credit Extensions then existing or subsequently made or issued.”

- (c) The definition of “Bail-In Action” in Section 1.01 is amended and restated in its entirety as follows:

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

- (d) The definition of “Bail-In Legislation” in Section 1.01 is amended and restated in its entirety as follows:

“Bail-In Legislation” means, (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, rule, regulation or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

- (e) The definition of “Compliance Certificate” in Section 1.01 is amended and restated in its entirety as follows:

“Compliance Certificate” means a certificate substantially in the form of Exhibit A to the Second Amendment.

- (f) The definition of “Consolidated EBITDA” in Section 1.01 is amended and restated in its entirety as follows:

“Consolidated EBITDA” means, for any period, the sum of the following determined on a Consolidated basis, without duplication, for the Parent and its Subsidiaries in accordance with GAAP, (a) Consolidated Net Income for such period plus (b) the following to the extent deducted in calculating such Consolidated Net Income (without duplication): (i) Consolidated Interest Charges, (ii) the provision for federal, state, local and foreign income taxes payable, (iii) depreciation and amortization expense and (iv) non-cash charges and losses (excluding any such non-cash charges or losses to the extent there were cash charges with respect to such charges and losses in past accounting periods) and (v) business optimization expenses, streamlining costs, exit or disposal costs, facilities closure costs, brand exiting or discontinuance costs and other restructuring, severance or similar charges, reserves or expenses, including losses arising from the disposition of discontinued inventory or excess components and raw materials, non-recurring charges for acquisition-related expenses and non-recurring cash charges or unusual or non-recurring cash expenses and cash losses, provided that the amount added-back pursuant to this clause (v) shall not exceed \$10,000,000 in any four fiscal quarter period; provided, further, that an additional aggregate \$10,000,000 may be added back pursuant to this clause (v) with respect to applicable costs, charges and other

amounts incurred during the fiscal year ending on January 31, 2021, less (c) without duplication and to the extent reflected as a gain or otherwise included in the calculation of Consolidated Net Income for such period, non-cash gains (excluding any such non-cash gains to the extent there were cash gains with respect to such gains in past accounting periods).

(g) The definition of “Eurocurrency Rate” in Section 1.01 is amended and restated in its entirety as follows:

“Eurocurrency Rate” means:

(a) for any Interest Period, with respect to any Credit Extension:

(i) denominated in a LIBOR Quoted Currency, the rate per annum equal to the London Interbank Offered Rate (“LIBOR”), or a comparable or successor rate which rate is approved by the Administrative Agent, as published on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) (in such case, the “LIBOR Rate”) at or about 11:00 a.m. (London time) on the Rate Determination Date, for deposits in the relevant currency, with a term equivalent to such Interest Period; and

(ii) denominated in Canadian Dollars, the rate per annum equal to the Canadian Dollar Offered Rate, or a comparable or successor rate which rate is approved by the Administrative Agent, as published on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) at or about 10:00a.m. (Toronto, Ontario time) on the Rate Determination Date with a term equivalent to such Interest Period;

(b) for any interest rate calculation with respect to a Base Rate Loan on any date, the rate per annum equal to the LIBOR Rate, at or about 11:00 a.m. (London time) determined two (2) Business Days prior to such date for Dollar deposits being delivered in the London interbank market for deposits in Dollars with a term of one (1) month commencing that day;

provided that (i) to the extent a comparable or successor rate is approved by the Administrative Agent in connection with any rate set forth in this definition, the approved rate shall be applied in a manner consistent with market practice; provided, further that to the extent such market practice is not administratively feasible for the Administrative Agent, such approved rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent and (ii) if the Eurocurrency Rate shall be less than one percent (1.00%), such rate shall be deemed to be one percent (1.00%) for purposes of this Agreement.

(h) The definition of “Material Adverse Effect” in Section 1.01 is amended and restated in its entirety as follows:

“Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect upon, the operations, business, assets, properties, liabilities (actual or contingent) or financial condition of the Loan Parties and their respective Subsidiaries, taken as a whole; (b) a material impairment of the rights and remedies of the Administrative Agent or any Lender under any Loan Document, or of the ability of the Loan Parties (taken as a whole) to perform their obligations under any Loan Document; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document to which it is a party; provided, that, during the period from the Second Amendment Effective Date through the date that is 90 days after the Second Amendment Effective Date, the impacts of the COVID-19 pandemic on the operations, business, assets, properties, liabilities (actual or contingent) or financial condition of the Loan Parties and their respective Subsidiaries, taken as a whole, will be disregarded in determining the accuracy of the representations made in Sections 5.05(c), 5.07 and 5.17 to the extent such event or circumstance has been (a) publicly disclosed by the Borrower in its securities filings (including, without limitation, any Form 10-Q) prior to the Second Amendment Execution Date or (b) disclosed to the Administrative Agent for distribution to the Lenders prior to the Second Amendment Execution Date.

- (i) The definition of “Permitted Acquisition” in Section 1.01 is amended to (i) replace the period at the end of subsection (g) thereof with “; and” and (ii) to add the following new subsection (h) at the end thereof:

“(h) the Suspension Period shall not be in effect as of the date of such Acquisition.”

- (j) The definition of “Write-Down and Conversion Powers” in Section 1.01 is amended and restated in its entirety as follows:

“Write-Down and Conversion Powers” means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

- (k) Section 1.08(c) is hereby amended and restated in its entirety as follows:

“(c) The Administrative Agent does not warrant, nor accept responsibility, nor shall the Administrative Agent have any liability with respect to the administration, submission or any other matter related to the rates in the definition of “Eurodollar Rate” or with respect to any rate that is an alternative or replacement for or successor to any of such rate (including, without limitation, any LIBOR Successor Rate) or the effect of any of the foregoing, or of any LIBOR Successor Rate Conforming Changes.”

(l) Section 2.15(a)(iv) is hereby amended and restated in its entirety as follows:

“(iv) Reallocation of Applicable Percentages to Reduce Fronting Exposure. All or any part of such Defaulting Lender’s participation in LIC Obligations and Swing Line Loans shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Applicable Percentages (calculated without regard to such Defaulting Lender’s Commitment) but only to the extent that such reallocation does not cause the aggregate Revolving Credit Exposure of any Non-Defaulting Lender to exceed such Non-Defaulting Lender’s Commitment. Subject to Section 11.26, no reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender’s increased exposure following such reallocation.”

(m) Section 2.16(a) is hereby amended and restated in its entirety as follows:

“(a) Provided there exists no Default and the Suspension Period is not in effect at such time, upon notice to the Administrative Agent (which shall promptly notify the Revolving Lenders), the Borrowers may from time to time, request an increase in the Revolving Facility by an amount (for all such requests) not exceeding \$50,000,000 (an “Incremental Facility”); provided that (i) any such request for an Incremental Facility shall be in a minimum amount of \$10,000,000 and in increments of \$10,000,000, or, if less, the amount of the entire remaining unused Incremental Facility, and (ii) the Borrowers may make a maximum of three (3) such requests. At the time of sending such notice, the Borrowers (in consultation with the Administrative Agent) shall specify the time period within which each Revolving Lender is requested to respond (which shall in no event be less than ten (10) Business Days from the date of delivery of such notice to the Revolving Lenders).”

(n) Section 3.03 is hereby amended and restated in its entirety as follows:

“3.03 Inability to Determine Rates.

(a) If in connection with any request for a Eurocurrency Rate Loan or a conversion to or continuation thereof, (i) the Administrative Agent determines that (A) deposits (whether in Dollars or an Alternative Currency) are not being offered to banks in the applicable offshore interbank market for such currency for the applicable amount and Interest Period of such Eurocurrency Rate Loan, (B)(x) adequate and reasonable means do not exist for determining the Eurocurrency Rate for any requested Interest Period with respect to a proposed Eurocurrency Rate Loan (whether denominated in Dollars or an Alternative Currency) or for determining the LIBOR Daily Floating Rate in connection with an existing or proposed Base Rate Loan and (y) the circumstances described in Section 3.03(c)(i) do not apply (in each case with respect to this clause (i), “Impacted Loans”), or (ii) the Administrative Agent or the Required Lenders determine that for any reason the Eurocurrency Rate for any requested Interest Period with respect to a proposed Eurocurrency Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrowers and each Lender. Thereafter, (x) the obligation of the Lenders to make or maintain

Eurocurrency Rate Loans in the affected currency or currencies shall be suspended (to the extent of the affected Eurocurrency Rate Loans or Interest Periods), and (y) in the event of a determination described in the preceding sentence with respect to the LIBOR Daily Floating Rate component of the Base Rate, the utilization of the LIBOR Daily Floating Rate component in determining the Base Rate shall be suspended, in each case until the Administrative Agent (upon the instruction of the Required Lenders in the case of clause (ii) above) revokes such notice. Upon receipt of such notice, the applicable Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurocurrency Rate Loans in the affected currency or currencies (to the extent of the affected Eurocurrency Rate Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in Dollars in the amount specified therein.

(b) Notwithstanding the foregoing, if the Administrative Agent has made the determination described in clause (a)(i) of this Section, the Administrative Agent, in consultation with the Borrowers and the Required Lenders, may establish an alternative interest rate for the Impacted Loans, in which case, such alternative rate of interest shall apply with respect to the Impacted Loans until (1) the Administrative Agent revokes the notice delivered with respect to the Impacted Loans under clause (a)(i) of this Section, (2) the Administrative Agent or the Required Lenders notify the Administrative Agent and the Borrowers that such alternative interest rate does not adequately and fairly reflect the cost to such Lenders of funding the Impacted Loans, or (3) any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender or its applicable Lending Office to make, maintain or fund Loans whose interest is determined by reference to such alternative rate of interest or to determine or charge interest rates based upon such rate or any Governmental Authority has imposed material restrictions on the authority of such Lender to do any of the foregoing and provides the Administrative Agent and the Borrowers written notice thereof.

(c) Notwithstanding anything to the contrary in this Agreement or any other Loan Documents, if the Administrative Agent determines (which determination shall be conclusive absent manifest error), or the Borrower or Required Lenders notify the Administrative Agent (with, in the case of the Required Lenders, a copy to the Borrower) that the Borrower or Required Lenders (as applicable) have determined, that:

(i) adequate and reasonable means do not exist for ascertaining LIBOR for any requested Interest Period, including, without limitation, because the LIBOR Screen Rate is not available or published on a current basis and such circumstances are unlikely to be temporary; or

(ii) the administrator of the LIBOR Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which LIBOR or the LIBOR Screen Rate shall no longer be made available, or used for determining the interest rate of loans, provided that, at the time of such statement, there is no successor administrator that is satisfactory to the Administrative Agent, that will continue to provide LIBOR after

such specific date (such specific date, the “Scheduled Unavailability Date”); or

(iii) syndicated loans currently being executed, or that include language similar to that contained in this Section 3.03, are being executed or amended (as applicable) to incorporate or adopt a new benchmark interest rate to replace LIBOR,

then, reasonably promptly after such determination by the Administrative Agent or receipt by the Administrative Agent of such notice, as applicable, the Administrative Agent and the Borrower may amend this Agreement to replace LIBOR with (x) one or more SOFR-Based Rates or (y) another alternate benchmark rate giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated syndicated credit facilities for such alternative benchmarks and, in each case, including any mathematical or other adjustments to such benchmark giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated syndicated credit facilities for such benchmarks, which adjustment or method for calculating such adjustment shall be published on an information service as selected by the Administrative Agent from time to time in its reasonable discretion and may be periodically updated (the “Adjustment,” and any such proposed rate, a “LIBOR Successor Rate”), and any such amendment shall become effective at 5:00 p.m. on the fifth Business Day after the Administrative Agent shall have posted such proposed amendment to all Lenders and the Borrower unless, prior to such time, Lenders comprising the Required Lenders have delivered to the Administrative Agent written notice that such Required Lenders (A) in the case of an amendment to replace LIBOR with a rate described in clause (x), object to the Adjustment; or (B) in the case of an amendment to replace LIBOR with a rate described in clause (y), object to such amendment; *provided* that for the avoidance of doubt, in the case of clause (A), the Required Lenders shall not be entitled to object to any SOFR-Based Rate contained in any such amendment. Such LIBOR Successor Rate shall be applied in a manner consistent with market practice; *provided* that to the extent such market practice is not administratively feasible for the Administrative Agent, such LIBOR Successor Rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent.

If no LIBOR Successor Rate has been determined and the circumstances under clause (i) above exist or the Scheduled Unavailability Date has occurred (as applicable), the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, (x) the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended, (to the extent of the affected Eurodollar Rate Loans or Interest Periods), and (y) the Eurodollar Rate component shall no longer be utilized in determining the Base Rate. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Rate Loans (to the extent of the affected Eurodollar Rate Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans (subject to the foregoing clause (y)) in the amount specified therein.

Notwithstanding anything else herein, any definition of LIBOR Successor Rate shall provide that in no event shall such LIBOR Successor Rate be less than one percent (1%) for purposes of this Agreement.

In connection with the implementation of a LIBOR Successor Rate, the Administrative Agent will have the right to make LIBOR Successor Rate Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such LIBOR Successor Rate Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

For purposes hereof:

“LIBOR Successor Rate Conforming Changes” means, with respect to any proposed LIBOR Successor Rate, any conforming changes to the definition of Base Rate, Interest Period, timing and frequency of determining rates and making payments of interest and other technical, administrative or operational matters as may be appropriate, in the discretion of the Administrative Agent, to reflect the adoption and implementation of such LIBOR Successor Rate and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent determines that adoption of any portion of such market practice is not administratively feasible or that no market practice for the administration of such LIBOR Successor Rate exists, in such other manner of administration as the Administrative Agent determines is reasonably necessary in connection with the administration of this Agreement).

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a benchmark rate to replace LIBOR in loan agreements similar to this Agreement.

“SOFR” with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark (or a successor administrator) on the Federal Reserve Bank of New York’s website (or any successor source) and, in each case, that has been selected or recommended by the Relevant Governmental Body.

“SOFR-Based Rate” means SOFR or Term SOFR.

“Term SOFR” means the forward-looking term rate for any period that is approximately (as determined by the Administrative Agent”) as long as any of the Interest Period options set forth in the definition of “Interest Period” and that is based on SOFR and that has been selected or recommended by the Relevant Governmental Body, in each case as published on an information service as selected by the Administrative Agent from time to time in its reasonable discretion.”

(o) Section 3.08 is hereby deleted in its entirety.

(p) Section 6.04 is hereby amended and restated in its entirety as follows:

“Pay and discharge as the same shall become due and payable, all its obligations and liabilities, including (a) all material tax liabilities, assessments and governmental charges or levies upon it or its properties or assets and all lawful claims which, if unpaid, would by law become a Lien upon its property unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Borrowers or such Subsidiary and (b) all Indebtedness in aggregate in excess of the Threshold Amount, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness; provided that during the Suspension Period the Borrowers may defer payments in an aggregate amount outstanding not to exceed \$3,000,000 at any time.”

(q) Section 7.02(c) is hereby amended and restated in its entirety as follows:

“(c) Indebtedness in respect of Capitalized Leases, Synthetic Lease Obligations and purchase money obligations incurred to finance or reimburse the cost of the acquisition, development, construction, purchase, lease, repair or improvement of property (real or personal) used or useful in a Permitted Business, whether through the direct purchase of assets or the Equity Interests of any Person that owns no other assets or property than those that would be permitted to be purchased directly under this clause (c) (which Indebtedness may be issued at any time within 180 days of such acquisition, development, construction, purchase, lease, repair or improvement) and any refinancing, refunding, renewal or extension thereof consistent with the proviso to Section 7.01(b); provided, however, that the aggregate amount of all such Indebtedness at any one time outstanding shall not exceed (a) \$10,000,000 during the Suspension Period, or (b) \$20,000,000 following the Suspension Period;”

(r) Section 7.02(i) is hereby amended and restated in its entirety as follows:

“(i) Indebtedness of Foreign Subsidiaries that is not guaranteed by any Borrower or Guarantor, as long as the aggregate outstanding principal amount thereof does not exceed (a) \$30,000,000 at any time during the Suspension Period, or (b) \$60,000,000 at any time following the Suspension Period;”

(s) Section 7.03(b) is hereby amended and restated in its entirety as follows:

“(b) advances to officers, directors and employees of the Borrowers and Subsidiaries for salary, commissions, travel, entertainment, relocation and analogous ordinary business purposes in an aggregate amount outstanding not to exceed (i) \$1,000,000 during the Suspension Period and (ii) \$2,000,000 at any time following the Suspension Period;”

(t) Section 7.03(c) is hereby amended and restated in its entirety as follows:

“(c) (i) Investments by any Borrower and its Subsidiaries in their respective Subsidiaries outstanding on the date hereof, (ii) additional Investments by any Borrower and its Subsidiaries in Loan Parties, (iii) additional Investments by Subsidiaries of any Borrower that are not Loan Parties in other Subsidiaries that are not Loan Parties and (iv) so long as no Default has occurred and is continuing or would result from such Investment, additional Investments by the Loan Parties

in Wholly-owned Subsidiaries that are not Loan Parties in an aggregate amount invested from the date hereof not to exceed (x) during the Suspension Period, (A) \$10,000,000, plus (B) an amount equal to any returns (including dividends, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) actually received in respect of any such Investment made pursuant to this clause (c) (provided, that amounts added pursuant to this clause (B) shall not, in any event, exceed the fair market value (as determined in good faith by the Parent) of the applicable Investment at the time such Investment was initially made) and (y) following the Suspension Period, (A) \$15,000,000, plus (B) an amount equal to any returns (including dividends, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) actually received in respect of any such Investment made pursuant to this clause (c) (provided, that amounts added pursuant to this clause (B) shall not, in any event, exceed the fair market value (as determined in good faith by the Parent) of the applicable Investment at the time such Investment was initially made);”

(u) Section 7.03(g) is hereby amended and restated in its entirety as follows:

“(o) other Investments not exceeding \$20,000,000 in the aggregate in any fiscal year of the Parent; provided that during the Suspension Period no Loan Party will, or will permit any Subsidiary to, make any such other Investments.”

(v) Section 7.06(f) is hereby amended and restated in its entirety as follows:

“(f) the Borrowers may make other Restricted Payments, provided that the Suspension Period is not in effect and the Loan Parties shall demonstrate to the reasonable satisfaction of the Administrative Agent that, after giving effect to such transaction on a Pro Forma Basis, (i) the Loan Parties are in Pro Forma Compliance and (ii) the Consolidated Leverage Ratio shall be at least 0.25 to 1.0 less than the then applicable level set forth in Section 7.11, calculated using the same Measurement Period used to determine Pro Forma Compliance; provided, further, that the Borrowers may make up to \$5,000,000 of other Restricted Payments upon delivery to the Administrative Agent of a Compliance Certificate for the period ending on April 30, 2021 in accordance with Section 6.02(a) demonstrating Consolidated EBITDA of at least \$35,000,000 for and as of the end of the three consecutive fiscal quarter period of the Parent ending on April 30, 2021;”

(w) Section 7.11 is hereby amended and restated in its entirety as follows:

“7.11 Financial Covenants. Compliance with each of the following covenants shall be measured on a Pro Forma Basis:

(a) Consolidated EDITDA.

- (i) Permit Consolidated EBITDA, for and as of the end of the Measurement Period ending on April 30, 2020, to be less than \$30,000,000;
 - (ii) Permit Consolidated EBITDA, for and as of the end of the Measurement Period ending on July 31, 2020, to be less than negative \$10,000,000;
-

- (iii) Permit Consolidated EBITDA, for and as of the end of the fiscal quarter of Parent ending on October 31, 2020, to be less than \$10,000,000;
- (iv) Permit Consolidated EBITDA, for and as of the end of the two consecutive fiscal quarter period of Parent ending on January 31, 2021, to be less than \$20,000,000;
- (v) Permit Consolidated EBITDA, for and as of the end of the three consecutive fiscal quarter period of Parent ending on April 30, 2021, to be less than \$25,000,000; or
- (vi) Permit Consolidated EBITDA, for and as of the end of any Measurement Period ending as of the last day of any fiscal quarter of Parent ending after April 30, 2021, to be less than \$35,000,000.

(b) Consolidated Leverage Ratio.

- (i) Permit the Consolidated Leverage Ratio as of April 30, 2020 to be greater than the ratio of 2.75 to 1.00; or
- (ii) Permit the Consolidated Leverage Ratio as of the end of any fiscal quarter of Parent ending on or after the earlier of (A) July 31, 2021 or (B) the Suspension Period Termination Date, to be greater than the ratio of 2.50 to 1.00.

(c) Minimum Liquidity. Permit Total Liquid Assets to be less than \$100,000,000 at any time from the Effective Date through April 30, 2021.

For purposes of the foregoing, “Total Liquid Assets” means, as of any date of determination, the sum of (a) unrestricted and unencumbered (other than with respect to the Liens of the Administrative Agent or Liens of any depositary bank or securities intermediary which is a Lender and where such cash and Cash Equivalents are maintained) cash and Cash Equivalents, plus (b) the positive difference between (I) the aggregate Revolving Commitments at such time and (II) the Total Revolving Outstandings at such time.”

(x) Section 7.12 is hereby amended and restated in its entirety as follows:

“7.12 Maximum Capital Expenditures.

Make any Capital Expenditure, except for Consolidated Capital Expenditures not exceeding (A) \$15,000,000 in the aggregate during the fiscal year ending January 31, 2021 or (B) \$25,000,000 in the aggregate during each subsequent fiscal year; provided, however, that if the amount of Capital Expenditures permitted to be made in any such subsequent fiscal year exceeds the amount actually made in such subsequent fiscal year, such excess may be carried forward only to the next fiscal year, but not to any succeeding fiscal year.

(y) Section 11.23 is hereby amended and restated in its entirety as follows:

“11.23 Acknowledgement and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Lender that is an Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Lender that is an Affected Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of the applicable Resolution Authority.”

(z) A new Section 11.26 is hereby added to the end of Article XI as follows:

“11.26 Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for any Swap Contract or any other agreement or instrument that is a QFC (such support, “QFC Credit Support”, and each such QFC, a “Supported QFC”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regimes”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be

effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(b) As used in this Section 11.26, the following terms have the following meanings:

“BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“Covered Entity” means any of the following: (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).”

2. **Conditions to Effectiveness.** This Amendment shall become effective when the Administrative Agent shall have received:

(a) A counterpart signature page to this Amendment duly executed and delivered by each of the Loan Parties and each of the Lenders;

(b) A counterpart signature page to that certain letter re: Fee Letter for Second Amendment (the “Second Amendment Fee Letter”) duly executed and delivered by each of the Loan Parties;

(c) Payment to the Administrative Agent, for the account of each Revolving Lender that executes and delivers an executed copy of this Amendment to the Administrative Agent (or its counsel) an amendment fee, in Dollars, in an amount equal to 0.20% of each such Revolving Lender’s Revolving Commitments (whether used or unused) as of the Execution Date;

(d) Payment to the Administrative Agent for its own account, in Dollars, the fees specified in the Second Amendment Fee Letter; and

(e) Payment of all other fees and other amounts due to the Administrative Agent and the Lenders, including payment of all of the Administrative Agent's reasonable legal fees and expenses incurred in the connection with the preparation and negotiation of this Amendment and the transactions contemplated hereby.

3. **Representations and Warranties.** Each of the Loan Parties represents and warrants to the Lenders and the Administrative Agent that:

(a) The execution, delivery and performance of this Amendment and the transactions contemplated hereby have been duly authorized by all necessary corporate or other organizational action by the Subsidiary Guarantors and the Borrowers, as applicable, and do not and will not (i) contravene the terms of any of such Person's Organization Documents or (ii) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (A) any Contractual Obligation to which such Person is a party or affecting such Person or the properties of such Person or any of its Subsidiaries, except for any conflict, breach or contravention that, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, or (B) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (iii) violate any Law in any material respect;

(b) This Amendment has been, and Second Amendment Fee Letter, when delivered hereunder, will have been, duly executed and delivered by each Loan Party that is party thereto, as applicable. This Amendment constitutes, and the Second Amendment Fee Letter when so delivered will constitute, a legal, valid and binding obligation of such Loan Party, enforceable against each Loan Party that is party thereto in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity;

(c) No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with (i) the execution, delivery or performance by, or enforcement against, any Loan Party of this Amendment or the Second Amendment Fee Letter, (ii) the grant by any Loan Party of the Liens granted by it pursuant to the Loan Documents, (iii) the perfection or maintenance of the Liens created under the Loan Documents (including the first priority nature thereof) or (iv) the exercise by the Administrative Agent or any Lender of its rights under the Loan Agreement or the Loan Documents or the remedies in respect of the Collateral pursuant to the Loan Documents, other than (A) authorizations, approvals, actions, notices and filings which have been duly obtained and (B) filings to perfect the Liens created by the Loan Documents;

(d) After giving effect to this Amendment, the representations and warranties made by it contained in Article V of the Credit Agreement and each other Loan Document are (i) with respect to representations and warranties that contain a materiality qualification, true and correct on and as of the date hereof and (ii) with respect to representations and warranties that do not contain a materiality qualification, true and correct in all material respects as of the date hereof (except that the representations and warranties contained in Sections 5.05(a) and (b) of the Loan Agreement shall be deemed to refer to the most recent statements furnished pursuant to Sections 6.01(a) and (b) of the Credit Agreement, respectively), except, in each case, for such representations and warranties that relate solely to an earlier date shall be true and correct as of such earlier date (or with respect to such representations and warranties that do not contain a materiality qualification, be true and correct in all material respects as of such earlier date); and

(e) After giving effect to this Amendment, no Default or Event of Default under the Credit Agreement shall have occurred and be continuing.

4. **No Waiver; Reservation of Rights.** This Amendment shall not, by implication or otherwise, constitute a waiver of any Default or Event of Default or limit, impair, constitute a waiver of or otherwise affect any rights or remedies of the Administrative Agent or the Lenders under the Credit Agreement or the other Loan Documents, nor alter, modify, amend or in any way affect any of the terms, obligations or covenants contained in the Credit Agreement or the Loan Documents, all of which shall continue in full force and effect, except to the extent expressly amended in Section 2 hereof. The Loan Parties hereby acknowledge that the Administrative Agent and the Lenders have not made any agreement or commitment to modify the Loan Documents other than as expressly set forth herein, and nothing in this Amendment shall be construed to imply any willingness on the part of the Administrative Agent or the Lenders to grant any future consent or waiver of any of the terms and conditions of the Credit Agreement or the other Loan Documents. The Lender Parties hereby reserve all rights and remedies available to them under the Loan Documents and applicable law.

5. **Ratification, etc.** Except as expressly amended hereby, the Credit Agreement and all other Loan Documents are hereby ratified and confirmed in all respects and shall continue in full force and effect. This Amendment and the Credit Agreement shall hereafter be read and construed together as a single document, and all references in the Credit Agreement, any other agreements or instruments related to the Credit Agreement shall hereafter refer to the Credit Agreement as amended by this Amendment. The Loan Parties, the Agent and the Lenders agree that the liens, assignments and security interests created by the Loan Documents, except to the extent previously released, shall continue and carry forward until the occurrence of the Facility Termination Date. The Loan Parties further agree that such liens, assignments and security interests are hereby ratified and affirmed as valid and subsisting against the property described in the Loan Documents and that this Amendment shall in no manner vitiate, affect or impair the Loan Documents (except as expressly modified in this Agreement) and that such liens, assignments, and security interests shall not in any manner be waived, released, altered or modified. The Loan Parties acknowledge and agree that the Obligations include, and the Borrowers owe to Administrative Agent and Lenders, all of Administrative Agent and the Lenders' reasonable expenses, costs and fees, including reasonable attorneys' fees actually incurred in the enforcement of the Loan Documents and drafting and negotiation of this Amendment to the extent set forth in Section 11.04 of the Credit Agreement. The Loan Parties acknowledge and agree that, as of the Execution Date, there are no offsets, defenses or claims against any part of the obligations under the Loan Documents

6. **Waiver and Release.** The Loan Parties warrant and represent to the Administrative Agent and the Lenders that the loans evidenced by the Loan Documents are not subject to any credits, charges, claims, or rights of offset or deduction of any kind or character whatsoever and, as a material part of the consideration for the Agent and the Lenders entering into this Agreement, each Loan Party agrees as follows (the "Release Provision"):

(a) EACH LOAN PARTY HEREBY RELEASES AND FOREVER DISCHARGES THE ADMINISTRATIVE AGENT AND THE LENDERS AND EACH OF THEIR PREDECESSORS, SUCCESSORS, ASSIGNS, OFFICERS, MANAGERS, DIRECTORS, MEMBERS, SHAREHOLDERS, EMPLOYEES, AGENTS, ATTORNEYS, REPRESENTATIVES, PARENT CORPORATIONS, SUBSIDIARIES, AND AFFILIATES (HEREINAFTER ALL OF THE ABOVE COLLECTIVELY REFERRED TO AS "RELEASED PARTIES") JOINTLY AND SEVERALLY FROM ANY AND ALL CLAIMS, COUNTERCLAIMS, DEMANDS, DAMAGES, DEBTS, AGREEMENTS, COVENANTS, SUITS, CONTRACTS, OBLIGATIONS, LIABILITIES, ACCOUNTS, OFFSETS, RIGHTS, ACTIONS, AND CAUSES OF ACTION OF ANY NATURE WHATSOEVER OCCURRING PRIOR TO THE DATE HEREOF AND ARISING OUT OF OR RELATED TO THE LOAN

DOCUMENTS, INCLUDING, WITHOUT LIMITATION, ALL CLAIMS, DEMANDS, AND CAUSES OF ACTION FOR CONTRIBUTION AND INDEMNITY, WHETHER ARISING AT LAW OR IN EQUITY, PRESENTLY POSSESSED, WHETHER KNOWN OR UNKNOWN, WHETHER LIABILITY BE DIRECT OR INDIRECT, LIQUIDATED OR UNLIQUIDATED, PRESENTLY ACCRUED, WHETHER ABSOLUTE OR CONTINGENT, FORESEEN OR UNFORESEEN, AND WHETHER OR NOT HERETOFORE ASSERTED, SPECIFICALLY EXCLUDING, HOWEVER, CLAIMS ARISING FROM THE GROSS NEGLIGENCE AND/OR WILLFUL MISCONDUCT OF ANY OF THE RELEASED PARTIES, AS DETERMINED BY A COURT OF COMPETENT JURISDICTION ("CLAIMS"), WHICH SUCH LOAN PARTY MAY HAVE OR CLAIM TO HAVE AGAINST ANY RELEASED PARTIES.

(b)Each Loan Party agrees not to sue any Released Parties or in any way assist any other Person in suing any Released Parties with respect to any Claim released herein. The Release Provision may be pleaded as a full and complete defense to, and may be used as the basis for an injunction against, any action, suit, or other proceeding which may be instituted, prosecuted, or attempted in breach of the release contained herein.

(c)Each Loan Party acknowledges, warrants, and represents to Released Parties that:

(i) Each Loan Party has read and understands the effect of the Release Provision. Each Loan Party has had the assistance of independent counsel of its own choice, or has had the opportunity to retain such independent counsel, in reviewing, discussing, and considering all the terms of the Release Provision; and if counsel was retained, counsel for each Loan Party has read and considered the Release Provision and advised each Loan Party to execute the same. Before execution of this Agreement, each Loan Party has had adequate opportunity to make whatever investigation or inquiry it may deem necessary or desirable in connection with the subject matter of the Release Provision.

(ii) No Loan Party is acting in reliance on any representation, understanding, or agreement not expressly set forth herein. Each Loan Party acknowledges that the Released Parties have not made any representation with respect to the Release Provision except as expressly set forth herein.

(iii) Each Loan Party has executed this Agreement and the Release Provision thereof as its free and voluntary act, without any duress, coercion, or undue influence exerted by or on behalf of any Person.

(iv) Each Loan Party is the sole owner of the Claims released by the Release Provision, and no Loan Party has heretofore conveyed or assigned any interest in any such Claims to any other Person.

(d)Each Loan Party understands that the Release Provision was a material consideration in the agreement of the Administrative Agent and the Lenders to enter into this Agreement.

(e)It is the express intent of the Loan Parties that the release and discharge set forth in the Release Provision be construed as broadly as possible in favor of the Released Parties so as to foreclose forever the assertion by each Loan Party of any Claims released hereby against Released Parties.

(f) If any term, provision, covenant, or condition of the Release Provision is held by a court of competent jurisdiction to be invalid, illegal, or unenforceable, the remainder of the provisions shall remain in full force and effect

7. **Counterparts; Governing Law.** This Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of such when so executed and delivered shall be an original, but all of such counterparts shall together constitute but one and the same agreement. THIS AMENDMENT SHALL BE GOVERNED BY AND INTERPRETED AND DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. This Amendment, to the extent signed and delivered by means of a facsimile machine or other electronic transmission in which the actual signature is evident, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person, provided, however, that the Subsidiary Guarantors and the Borrowers shall deliver to the Administrative Agent three original signed copies of this Amendment promptly following the effectiveness hereof. At the request of any party hereto, each other party hereto or thereto shall re-execute original forms hereof and deliver them to all other parties. No party hereto shall raise the use of a facsimile machine or other electronic transmission in which the actual signature is evident to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or other electronic transmission in which the actual signature is evident as a defense to the formation of a contract and each party forever waives such defense.

THIS AMENDMENT, THE CREDIT AGREEMENT AS AMENDED BY THIS AMENDMENT, AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

IN WITNESS WHEREOF, intending to be legally bound, the parties hereto have duly executed this Amendment No. 2 to Credit Agreement as of the day and year first above written.

BORROWERS: MOVADO GROUP, INC.

By: /s/ Mitchell Sussis
Name: Mitchell Sussis
Title: Secretary

MOVADO GROUP DELAWARE HOLDINGS CORPORATION

By: /s/ Mitchell Sussis
Name: Mitchell Sussis
Title: Secretary

MOVADO, LLC

By: /s/ Mitchell Sussis
Name: Mitchell Sussis
Title: Secretary

MOVADO RETAIL GROUP, INC.

By: /s/ Mitchell Sussis
Name: Mitchell Sussis
Title: Secretary

BORROWERS (CONTINUED):

MGI LUXURY GROUP S.A.

By: /S/ Mitchell Sussis
Name: Mitchell Sussis
Title: Authorized Signatory

MOVADO WATCH COMPANY SA

By: /S/ Mitchell Sussis
Name: Mitchell Sussis
Title: Authorized Signatory

[SIGNATURE PAGE TO AMENDMENT NO. 2 (BOA-MOVADO 2020)]

GUARANTORS: MGI LUXURY GROUP, B.V.

By: /S/ Mitchell Sussis
Name: Mitchell Sussis
Title: Authorized Signatory

MOVADO GROUP NEDERLAND, B.V.

By: /S/ Mitchell Sussis
Name: Mitchell Sussis
Title: Authorized Signatory

[SIGNATURE PAGE TO AMENDMENT NO. 2 (BOA-MOVADO 2020)]

ADMINISTRATIVE AGENT:

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

By: /s/ Ronaldo Naval
Name: Ronaldo Naval
Title: Vice President

[SIGNATURE PAGE TO AMENDMENT NO. 2 (BOA-MOVADO 2020)]

LENDERS:

BANK OF AMERICA, N.A.,
as a Lender, L/C Issuer and Swingline Lender

By: /s/ Jana Baker
Name: Jana L. Baker
Title: Senior Vice President

[SIGNATURE PAGE TO AMENDMENT NO. 2 (BOA-MOVADO 2020)]

LENDERS (CONTINUED):

BANK LEUMI USA,

as a Lender

By: /s/ David Wiederman

Name: David Wiederman

Title: Vice President

By: /s/ Russell Turley

Name: Russell Turley

Title: Vice President

[SIGNATURE PAGE TO AMENDMENT NO. 2 (BOA-MOVADO 2020)]

LENDERS (CONTINUED):

PNC BANK, NATIONAL ASSOCIATION
as a Lender

By: /s/ Blaise Schultheis
Name: Blaise Schultheis
Title: Vice President

[SIGNATURE PAGE TO AMENDMENT NO. 2 (BOA-MOVADO 2020)]

EXHIBIT A

FORM OF COMPLIANCE CERTIFICATE

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED. [***] INDICATES THAT INFORMATION HAS BEEN REDACTED.

LICENSE AGREEMENT
AMONG
TOMMY HILFIGER LICENSING, LLC,
MOVADO GROUP, INC.
AND
SWISSAM PRODUCTS LIMITED

MEN'S AND WOMEN'S WATCHES AND JEWELRY

WORLDWIDE*

JANUARY 1, 2020

*subject to certain exceptions as set forth in this Agreement

TABLE OF CONTENTS

Page

ARTICLE I. GRANT	1	
1.1	License	1
1.1.1	E-Commerce Sales.	2
1.1.2	Quantities of Licensed Products.	2
1.2	Additional Right.	2
1.2.1	Jurisdictions.	2
1.2.2	Derivatives.	2
1.3	Reservations	3
1.3.1	E-Commerce and Retail Sales	3
1.3.2	Special Collections	3
1.3.3	Adaptive Products	3
1.3.4	License Strictly Limited.	3
1.4	Definitional Disputes.	4
1.5	Distributors	5
ARTICLE II. LICENSE PERIOD	5	
2.1	Initial License Period	5
2.2	Renewal License Period.	5
ARTICLE III. ORGANIZATION	6	
3.1	Organization.	6
ARTICLE IV. APPROVALS	7	
4.1	Approvals	7
ARTICLE V. DESIGN AND MANUFACTURING	7	
5.1	Seasonal Design, Time and Action Calendar..	7
5.2	Overall Commitment to Quality	7
5.3	Restricted Substance Limitations	8
5.4	Conflict Minerals	8
5.5	Cotton	8
5.6	Animal Welfare and Sustainable Materials	8
5.7	Additional CR Opportunities	8
5.8	Samples of Licensed Products.	9
5.9	Non-Conforming Products..	9
5.10	Withdrawal of Approval.	9
5.11	Assistance by THL	10
5.12	Ownership of Designs	10
5.13	Cost of Designs, Samples..	11
5.14	Standards	11
5.15	Manufacture of Licensed Products by Third Parties.	11
5.15.1	In General	11
5.15.2	Audit Requirement	11
5.15.3	Approval..	12
5.15.4	Use of Facility.	12
5.15.5	Termination of Facility.	12
5.15.6	Notices on Invoices	13

5.16	Anti-Counterfeiting Materials	13	
ARTICLE VI. BRAND DEVELOPMENT, SALES AND MARKETING			13
6.1	Best Efforts.	13	
6.2	Sales and Deliveries.	14	
6.3	Reporting.	14	
6.4	Net Sales.	15	
6.5	Minimum Sales.	15	
6.5.1	Watches	15	
6.5.2	Jewelry Products	16	
6.5.3	Calculation of Sales.	17	
6.6	Approved Customers.	17	
6.6.1	Notice to Customers.	17	
6.6.2	Off-Price Accounts..	18	
6.6.3	Off-Price Cap Penalties	19	
6.7	Prohibited Sales.	19	
6.8	Unapproved and Prohibited Sales.	19	
6.8.1	Generally	19	
6.8.2	Penalty for Sales by Licensee or its Affiliates		19
6.8.3	By Distributors	20	
6.9	Showroom	20	
6.10	In-Store Shops/Fixtures	20	
6.11	Warranty/Guarantee.	20	
6.12	Products for THL, Licensed Stores and Licensed Sites		20
6.12.1	Products for THL's Use	20	
6.12.2	Purchases For THL's Employees		20
6.12.3	Purchases By TH Outlets.	20	
6.12.4	Purchases By TH Stores, TH Sites, Licensed Stores and Licensed Sites		21
ARTICLE VII. ADVERTISING		22	
7.1	Advertising Contribution.	22	
7.1.1	Contribution for Watch Products		22
7.1.2	Contribution for Jewelry Products		22
7.2	Media Plan and Advertising Spending.		23
7.2.1	Media Plan	23	
7.2.2	THL's Advertising Spend	23	
7.2.3	Licensee's Advertising Spending.		24
7.2.4	Incremental Expenditure..	24	
7.3	Approval of Labels and Licensee's Advertising.		25
7.4	Branded Shows.	25	
7.5	Trade Shows.	25	
7.6	Public Announcements.	25	
ARTICLE VIII. ROYALTIES AND RELATED FEES			25
8.1	Guaranteed Minimum Royalty.		25
8.1.1	Watch GMR.	25	
8.1.2	Jewelry GMR.	26	
8.2	Percentage Royalty..	27	
8.3	Royalty Statements.	28	

8.4	Merchandise Coordinator Program	28	
8.5	No Set-Off	28	
ARTICLE IX. MANNER OF PAYMENT, INTEREST, BOOKS AND RECORDS, INSPECTION			28
9.1	Manner of Payment.	28	
9.2	Interest on Late Payments.	29	
9.3	Taxes	29	
9.4	Books and Records	29	
9.5	Underpayments	30	
9.6	Financial Statements.	30	
ARTICLE X. REPRESENTATIONS AND WARRANTIES			30
10.1	Representations and Warranties of Licensee.	30	
10.2	Representations and Warranties of THL	30	
ARTICLE XI. CONFIDENTIALITY AND HIRING OF EMPLOYEES			31
11.1	Confidentiality.	31	
11.2	Hiring of Employees	32	
ARTICLE XII. TRADEMARKS AND COPYRIGHTS			32
12.1	Rights to the Trademarks..	32	
12.2	Protecting the Trademarks	32	
12.3	Compliance with Notice and Other Requirements		32
12.4	Ownership of Copyrights	33	
12.5	Infringement	33	
12.6	Counterfeit Protection.	33	
12.7	Use of Other Trademarks.	33	
12.8	Use of Trademarks on Invoices, etc		34
12.9	Monitoring.	34	
ARTICLE XIII. INSOLVENCY			34
13.1	Effect of Proceeding in Bankruptcy.		34
13.2	Rights Personal..	34	
13.3	Trustee in Bankruptcy	34	
13.4	Effect of THL Bankruptcy	35	
ARTICLE XIV. EXPIRATION AND TERMINATION			35
14.1	Other Rights Unaffected	35	
14.2	Immediate Right of Termination of the License.		35
14.3	Termination With Notice and Right to Cure.		36
14.3.1	By THL	36	
14.3.2	***]	37	
14.4	Effect of Termination.	37	
14.4.1	Partial Termination.	38	
14.4.2	Continued Compliance with Warranty..		38
14.4.3	Survival	39	
14.5	Freedom to License.	39	
14.6	Compensation.	39	
ARTICLE XV. INDEMNIFICATION AND INSURANCE			39
15.1	Indemnification by Licensee	39	
15.2	Notice of Suit or Claim.	40	

15.3	Indemnification by THL.	40
15.4	Insurance	41
15.4.1	Requirement.	41
15.4.2	Theft and Destruction Coverage	41
15.4.3	General Provision	41
15.4.4	Approved Carrier/Policy Changes	42
15.4.5	Evidence of Coverage	42
15.4.6	Territory	42
ARTICLE XVI. COMPLIANCE WITH LAWS		42
16.1	Compliance with Laws.	42
16.2	Equitable Relief.	42
16.3	Anti-Bribery/Anti-Corruption.	42
ARTICLE XVII. MISCELLANEOUS		43
17.1	Definitions	43
17.2	Notices.	45
17.3	Assignment.	46
17.4	No Sublicense Agreement Without Consent.	46
17.5	Assignment by THL..	46
17.6	No Agency.	46
17.7	Suspension of Obligations..	46
17.8	Benefit	47
17.9	Entire Agreement; Amendment	47
17.10	Non-Waiver.	47
17.11	Severability..	47
17.12	Headings..	47
17.13	Counterparts.	47
17.14	Governing Law	47
17.15	Jurisdiction	47
17.16	Construction	48
EXHIBITS		
EXHIBIT A	E-COMMERCE GUIDELINES	
EXHIBIT B	ORGANIZATION CHART	
EXHIBIT C	DESIGN, TIME AND ACTION CALENDAR	
EXHIBIT D	RESTRICTED SUBSTANCE LIMITATIONS	
EXHIBIT E	CONFLICT MINERALS POLICY	
EXHIBIT F	“A SHARED COMMITMENT –REQUIREMENTS FOR SUPPLIERS, CONTRACTORS, BUSINESS PARTNERS” and “STATEMENT OF CORPORATE RESPONSIBILITY”	
EXHIBIT G	APPROVED ACCOUNTS	
EXHIBIT H	MANNER OF PAYMENT	
EXHIBIT I	COMPETITORS	

LICENSE AGREEMENT

THIS LICENSE AGREEMENT (the “Agreement”) is entered into as of January 1, 2020 (the “Effective Date”), by and among TOMMY HILFIGER LICENSING LLC, a Delaware limited liability company, having an address at 285 Madison Avenue, New York, NY 10017 (“THL”), on the one hand, and MOVADO GROUP, INC., a New York corporation, having its offices at 650 From Road, Paramus, New Jersey 07652 (“MGI”), and SWISSAM PRODUCTS LIMITED, a Hong Kong corporation, having its offices at 29F Citicorp Centre, 18 Whitfield Road, North Point, Hong Kong (“SPL”, and together with MGI, “Licensee”), with reference to the following premises (each of THL and Licensee, a “Party” and collectively “Parties”).

WITNESSETH:

WHEREAS, THL is a subsidiary of PVH Corp. (“PVH”) and the owner throughout the world of the trademarks TOMMY HILFIGER, TOMMY, TOMMY JEANS and [flag/logo design] (together with such other trademarks as THL may from time to time approve in writing for Licensee to use hereunder, the “Trademarks”) which are famous and valuable and associated with substantial goodwill in connection with apparel and related products; and

WHEREAS THL and Licensee are parties to an Amended and Restated License Agreement dated as of September 16, 2009 (as previously amended, the “2009 Agreement”) which is scheduled to end on December 31, 2019, subject to further extension as provided in Section 3.3 of the 2009 Agreement;

WHEREAS the parties have agreed to terminate the 2009 Agreement effective as of December 31, 2019 and to enter this Agreement effective as of the Effective Date pursuant to which Licensee shall continue to have a license to use the Trademarks, on and in connection with the manufacture, importation, distribution, promotion, advertising and sale of men’s and women’s watches and jewelry (collectively, the “Products”) throughout the world, excluding all the jurisdictions listed on Schedule 1 hereto, unless and until THL expressly agrees to the inclusion in the Territory of any such jurisdictions (the “Territory”) subject to the terms and conditions set forth herein. Products bearing the Trademarks are hereinafter referred to as “Licensed Products.” Capitalized terms listed in Section 17.1 are defined in the Sections set forth therein.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I. GRANT

1.1 License. Subject to all of the obligations and conditions contained in this Agreement, THL hereby grants to MGI with respect to North, Central and South America (including the United States, its territories and possessions) and to SPL with respect to the remainder of the Territory, an exclusive license during the License Period, without the right to sublicense or assign, to use the Trademarks solely in the forms approved by THL for use by Licensee hereunder in connection with the importation, sale, distribution and promotion of the Licensed Products (i) on a wholesale basis in the Territory and (ii) on a retail basis in outlet stores operated by Licensee or an Affiliate of Licensee (“Movado Outlets”). In addition, Licensee may manufacture Licensed Products anywhere in the Territory. “Affiliates” of any Party means all persons and business entities, whether corporations, partnerships, joint

ventures or otherwise, which now or hereafter control, or are owned or controlled, directly or indirectly, by such Party, or are under common control with such Party.

1.1.1 E-Commerce Sales. Licensee shall have the right to sell, distribute and promote Licensed Products via commerce conducted on, made available through or facilitated by interactive or electronic media, whether now known or hereafter developed, including, without limitation, the Internet and on-line service providers, regardless of the means through which it is conducted (“E-Commerce”), on a website located at www.hourtime.com and/or any other website whose URL consists of “hourtime” followed by a different gTLD (e.g., www.hourtime.com.uk) (the “Hour Time Site”) provided that (i) Licensee shall at all times own and operate (either directly or through an Affiliate) the Hour Time Site; (ii) Licensee shall adhere to all reasonable instructions given by THL regarding: (a) the manner in which the Trademarks are used and the appearance of the Trademarks on such website; (b) the products that appear on the webpages featuring the Licensed Products; and (c) the content of all pages dedicated to Licensed Products; (iii) the Hour Time Site shall at all times conform with the guidelines set forth in Exhibit A hereto, as the same may be amended from time to time by THL (it being understood that if the Hour Time Site is not in compliance with a material guideline, in THL’s sole discretion, after reasonable notice from THL, Licensee shall no longer have the right to sell Licensed Products via the Hour Time Site); (iv) Licensee shall not sell or distribute Licensed Products outside of the Territory; (v) the Hour Time Site shall be operated in accordance with the prestige, image, value and distinctiveness of the Trademarks; and (vi) Licensee shall have full legal responsibility for the advertising, marketing, promotion and sale of Licensed Products on the Hour Time Site, including, without limitation, with respect to the collection of sales, use, VAT and similar taxes and the remittance thereof to the proper taxing authority and the inclusion of all legal disclosures required by applicable law. Other than as expressly set forth herein, Licensee shall have no right to sell Licensed Products via E-Commerce, other than on a wholesale basis to approved retailers in the Territory. For the sake of clarity, the foregoing does not prevent Approved Accounts that consist of etailers or are otherwise approved by THL to sell Licensed Products via E-Commerce, from selling Licensed Products via E-Commerce.

1.1.2 Quantities of Licensed Products. Licensee shall only produce and purchase Licensed Products in quantities that it reasonably believes will be sold during the License Period; for the avoidance of doubt, for the purposes of this Section 1.1.2 the term “License Period” does not include any renewal period unless the extension has gone into effect, or any Disposal Period.

1.2 Additional Rights.

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

1.2.2 Derivatives. THL agrees that it shall notify Licensee if it desires to enter into a license arrangement for the distribution of the Licensed Products bearing any derivative of the Trademarks (i.e., any mark that is a variation of the Trademark consisting of or containing “TOMMY” or “HILFIGER” or any mark derived from the foregoing, such as TH). Licensee shall then have the right to

submit a business plan to THL outlining its proposal for obtaining such a license, which THL shall consider reasonably and in good faith; provided, however, that THL's decision whether to grant such license shall be final and binding; and, provided, further, that nothing stated herein shall be construed as an obligation for THL to grant Licensee any additional license for derivatives of the Trademarks other than those included in the definition of the Trademarks.

Reservations. THL reserves all rights in and to the Trademarks except as specifically granted herein including, without limitation, those rights set forth in this Section. THL may exercise any of its rights, or authorize others to exercise such rights, at any time

1.3.1 E-Commerce and Retail Sales. THL and its Affiliates reserve the right to sell Licensed Products directly to consumers via retail stores and E-Commerce sites owned and operated by THL or its Affiliates. If THL or its Affiliates wish to sell Licensed Products consisting of jewelry, under the HILFIGER COLLECTION label or as part of any special or global capsule collection or limited edition collection (collectively, "Special Collection Jewelry") direct to consumers via such stores ("TH Stores") or E-Commerce sites ("TH Sites"), THL or such Affiliates may purchase such Special Collection Jewelry from any supplier they choose, including Licensee, subject to the provisions of Section 1.3.2. Licensee acknowledges and agrees that sales to THL or its Affiliates are subject to the pricing set forth in Section 6.12 hereof. In addition, third parties authorized by THL or its Affiliates to operate retail stores named "Tommy Hilfiger", "Hilfiger" or any derivate thereof ("Licensed Stores") or to sell Licensed Products direct to consumers via E-Commerce sites operating under the name "Tommy Hilfiger", "Hilfiger" or any derivative thereof ("Licensed Sites") shall have the right to purchase Licensed Products from Licensee and to sell in such TH Stores or via such TH Sites, Special Collection Jewelry obtained from the same supplier used by THL.

1.3.2 Special Collections. THL reserves the right to produce, import, distribute, promote, advertise and sell, Special Collection Jewelry at wholesale and via retail in limited distribution and quantities each Annual Period sourced from any supplier it chooses, and to authorize third parties to do the same.

1.3.3 Adaptive Products. Licensee hereby acknowledges and agrees that THL shall at all times, including during the License Period, be permitted to manufacture, distribute, promote, advertise and sell in the Territory, at wholesale, including to Approved Accounts, and at retail, Licensed Products functionally adaptable to the needs of people with disabilities and bearing the Trademarks ("Adaptive Products"), and sourced from any supplier it chooses, and to permit third parties to do the same. Notwithstanding the foregoing, prior to sourcing any such Adaptive Products from any supplier other than Licensee, THL shall notify Licensee and provide Licensee with a right of first opportunity to manufacture and supply such Special Collection Jewelry. If, within 20 days of Licensee's receipt of such notice, THL and Licensee are not able to reach an agreement in good faith with respect to the terms upon which Licensee shall supply such Adaptive Products, then THL shall be free to source such Adaptive Products from a third party

1.3.4 License Strictly Limited. Nothing contained in this Agreement shall be construed as an assignment or grant to Licensee of any right, title or interest in or to the Trademarks, it being understood and acknowledged by Licensee that all rights relating thereto are reserved by THL except for the rights specifically granted to Licensee in this Agreement. In addition, no license is granted

hereunder for the manufacture, sale or distribution of the Licensed Products to be used for publicity purposes (other than publicity of the Licensed Products), in combination sales or as premiums or giveaways, or to be disposed of under or in connection with similar methods of merchandising, such rights being specifically reserved for THL.

1.4 Definitional Disputes. Licensee acknowledges that due to the nature of the marketplace, the definition of Products may change or may not be amenable to precise delineation. In addition, Licensee acknowledges that THL may have (now or in the future), other licensees within the Territory. In the event of any dispute between Licensee and any other licensee of THL in the Territory with respect to whether particular merchandise is covered by one or the other of their respective licenses, or there is otherwise a dispute over the definition of Licensed Products, THL shall render a reasonable written determination which shall be conclusive and binding on Licensee.

1.5 Distributors. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties have agreed that, notwithstanding anything to the contrary in Section 1.1.4 of the License Agreement, in the event Licensee wishes to sublicense to a third party (each, a “Distributor”) the right to distribute in the Territory Licensed Products made by or on behalf of Licensee the following conditions shall apply:

(a) THL must approve the Distributor, which consent may be withheld by THL in its reasonable discretion; it being acknowledged that THL shall be acting reasonably under this Section 1.1.4(a) if, by way of example and not intended as an exclusive list, it elects not to approve a Distributor that (1) is a direct competitor of THL, PVH or any of their Affiliates; (2) has had unfavorable business dealings with THL, PVH or any of their Affiliates, (3) in THL’s reasonable opinion, has a reputation that is not consistent with the image of the Trademarks; (4) in THL’s reasonable opinion, is not financially stable or likely to maintain financial stability for the remainder of the License Period; (5) in THL’s reasonable opinion, does not have sufficient experience to exploit the distribution agreement; or (6) distributes other products from suppliers or sells to retailers that, in THL’s reasonable opinion, are not reputable or that do not abide by the Standards.

(b) At all times during the term of the distribution agreement, the Distributor must be financially stable, have a suitable reputation, and have sufficient experience to be capable of exploiting the rights granted under the distribution agreement;

(c) The Distributor must execute a written distribution agreement, the form and substance of which has been approved in advance by THL in its reasonable discretion, which requires the Distributor to comply with and be bound by all of the provisions of this Agreement applicable to a distributor, including, without limitation, the provisions of Articles XII and XVI and Sections 5.14, 6.1, 6.6 (including Sections 6.6.1 and 6.6.2), 6.7, 6.11, 7.4, 9.4 and 11.1. Notwithstanding the foregoing, a Distributor that is an Affiliate of Licensee need not execute a written distribution agreement; it being understood that Licensee shall be responsible to THL for such Affiliate’s performance and compliance with the applicable provisions of this Agreement;

(d) All amendments to the distribution agreement (other than those involving purely financial terms between Licensee and the Distributor) must be approved in advance by THL;

(e) Licensee shall not approve any Label or advertising, marketing or promotional materials submitted by Distributor unless such sample, Label or material shall have been approved by THL; provided, however, that Distributors shall be permitted to use all Labels, advertising, marketing and promotional materials that have been approved by THL hereunder for Licensee's use;

(f) All trademark rights deriving from use of the Trademarks by the Distributor shall inure exclusively to THL and Licensee shall do all that is necessary to vest such trademark rights in THL;

(g) Licensee shall sell Licensed Products to Distributors at bona fide wholesale prices negotiated in arms' length transactions;

(h) Licensee shall diligently monitor the actions of each Distributor in connection with the distribution of Licensed Products pursuant to the distribution agreement. Licensee shall promptly inform THL of any material breach of the distribution agreement of which Licensee becomes aware, and THL shall have the right to require Licensee to terminate such distribution agreement with respect to Licensed Products in accordance with the terms thereof in the event the Distributor breaches the distribution agreement and such breach is of a type that would constitute a terminable breach hereunder if such breach were committed by Licensee;

(i) The distribution agreement shall immediately terminate in the event that Licensee no longer has the rights to distribute the applicable Licensed Products in the applicable jurisdiction;

(j) [***]; and

(k) THL shall be a third party beneficiary of all distribution agreements entered into during the License Period and shall have the right to exercise and enforce against Distributor those provisions of the distribution agreement that, in THL's reasonable opinion, relate to the value, reputation or enforceability of the Trademarks, if Licensee fails to exercise such rights after reasonable notice from THL. Nothing in the distribution agreement shall be deemed to give a Distributor any rights to make any claim against THL.

ARTICLE II. LICENSE PERIOD

2.1 Initial License Period. The license period shall commence on January 1, 2020 and shall end on December 31, 2024, unless sooner terminated as herein provided (the "Initial License Period"). Each calendar year during the License Period shall be referred to herein as an "Annual Period".

2.2 Renewal License Period. This Agreement shall be extended for an additional five year period commencing on January 1, 2025 and ending on December 31, 2029 (the "Renewal License Period"; the Initial License Period and any Renewal License Period together are referred to as the "License Period") provided that: (i) Licensee requests an extension by written notice to THL, received by THL not more than 15 months nor less than 12 months prior to the expiration of the Initial License Period; (ii) at the time it requests an extension and as of the end of the Initial License Period, Licensee is in compliance with the material terms and conditions of this Agreement and any related agreements, and shall have committed no material breach for the duration of the Initial License Period that shall remain unremedied to THL's reasonable satisfaction; (iii) up to the time it requests an extension, Licensee shall have committed no more than three breaches of the material terms and conditions of this Agreement, whether

or not such breaches were cured; (iv) Licensee submits a business plan for the Renewal License Period that THL approves in its reasonable discretion at least six months prior to the expiration of the Initial License Period; and (v) Licensee has achieved Minimum Sales for at least two Annual Periods prior to the fifth Annual Period (2024) and, as of the date the business plan for the Renewal License Period is approved, has projected and committed to achieving the Minimum Sales for the fifth Annual Period. If any of the foregoing conditions are not satisfied, THL may replace Licensee by executing a new license agreement with a third party providing for sales at retail commencing immediately upon the expiration of the Initial License Period (or for THL to do the same directly), without any liability to Licensee; for the avoidance of doubt, any such new license agreement shall not allow for sales at retail prior to the expiration (or termination) of the Initial License Period. Expiration or termination of the License shall not affect Licensee’s obligation (a) to make payments hereunder accruing prior to such expiration or termination; and (b) to be solely responsible, and to pay for all allowances, chargebacks and other similar markdowns or margins with respect to all Licensed Products sold by Licensee and its Affiliates during the License Period and any Disposal Period (as such term is defined herein).

ARTICLE III. ORGANIZATION

3.1 Organization. Licensee shall, at its sole cost and expense, employ the following persons or persons with similar titles and responsibilities, who will, except as specified below, work exclusively with THL’s representatives on Licensee’s business arising under this Agreement; provided that THL shall not unreasonably withhold its consent to requests by Licensee for organizational changes in light of future developments in the market and in Licensee’s business and general organizational structure.

REGION	POSITION
***	***

All of these individuals will be hired with the prior approval of THL, not to be unreasonably withheld, and shall be relieved of their duties under this Agreement at the reasonable request of TH. Exhibit B attached hereto sets forth Licensee’s organization chart of such personnel. Unless otherwise agreed to by THL in its reasonable discretion, Licensee shall maintain throughout the License Period (i) a separate office based in Switzerland for Europe; (ii) a separate office based in Hong Kong for Pan Pacific and (iii) a separate office for Latin America.

ARTICLE IV. APPROVALS

Approvals. THL shall retain overall creative control for the brand, Trademarks, Licensed Products, and related advertising hereunder. Licensee shall present to THL in writing all approvals required or permitted by this Agreement. Except as otherwise stated in this Agreement, all approvals of THL shall be in its sole discretion and may be based on THL's subjective standards and aesthetic judgment, including, without limitation, those relating to the design, marketing and advertising of the Licensed Products, and the exploitation, reputation, image and prestige of Mr. Tommy Hilfiger, the Tommy Hilfiger brand and the Trademarks. Only approvals in writing (including via email from an authorized representative of THL) may be valid. A submission for approval under this Section 4.1, or under any other provision of this Agreement, shall be deemed disapproved unless and until THL delivers a notice of approval. THL may provide an explanation for its disapproval, but any such explanation is entirely voluntary and shall not serve to waive, stop or otherwise diminish THL's right to decide future requests for approvals or reconsideration in its sole discretion. Without limitation to the foregoing, THL has no obligation to approve, review or consider any item that does not strictly comply with submission procedures announced by THL. Approval by THL shall not be deemed to be a determination that the approved matter complies with all applicable regulations and laws or with Sections 5.3, 5.4, 5.5 or 5.6 hereof. Licensee may not exhibit, display, manufacture, sell, use, distribute or advertise any disapproved item. In the event that it is necessary for THL to perform on-site approvals, Licensee shall pay any and all reasonable expenses, including travel, incurred by THL with respect to such on-site approvals.

ARTICLE V. DESIGN AND MANUFACTURING

5.1 Seasonal Design, Time and Action Calendar. Each Annual Period, Licensee shall present to the market at least four seasonal collections of Licensed Products (*i.e.*, Fall, Holiday, Spring and Summer) (each a "Seasonal Collection") in accordance with the design, time and action calendar attached hereto as **Exhibit C** (the "Calendar"). Licensee shall submit to THL any proposed revisions to the Calendar for THL's prior approval at least six months prior to the proposed effective date of such revised Calendar.

5.2 Overall Commitment to Quality. Licensee shall maintain the distinctiveness of the Trademarks and the image and high quality of the goods bearing the Trademarks. The Licensed Products shall at all times be at least commensurate with the reputation, image and prestige of the Trademarks and be of high quality as to workmanship, construction, trim, appearance, fabrication, packaging, design and materials used therein and generally associated with the THL's and its other licensee's goods bearing the Trademarks (collectively "Quality"), and shall be at least equal in Quality to the samples of Licensed Products (including packaging) submitted by Licensee and approved in writing in advance by THL pursuant to Section 5.8 hereof.

Restricted Substance Limitations

. Without limiting the generality of anything herein, in the manufacture of Licensed Products, Licensee shall abide by all limitations on restricted substances (e.g. dyes, metals, etc.) attached hereto as **Exhibit D**, as the same may be revised from time to time by THL or PVH upon reasonable notice to Licensee and any Manufacturing Restricted Substances

Limitations requirements provided by PVH from time to time; it being acknowledged and agreed that THL shall require its other licensees to abide by such limitations after the Effective Date on a non-discriminatory basis.

Conflict Minerals

. Without limiting the generality of anything herein, Licensee will take all commercially reasonable measures to avoid the incorporation into Licensed Products of “conflict minerals” (as described below) obtained from the Democratic Republic of the Congo or any adjoining country (which include Angola, Burundi, Central African Republic, the Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia), from sources which directly or indirectly finance or benefit “armed groups” (as that term is defined in the U.S. Securities and Exchange Commission’s Conflict Minerals Rule). The conflict minerals include cassiterite, columbite-tantalite (coltan), gold, and wolframite and three specified derivatives: tin; tantalum; and tungsten. In addition, Licensee not produce, purchase or sell any Licensed Products if Licensee is aware, should reasonably be aware or has a reasonable basis to believe that such Licensed Products contain conflict minerals. Furthermore, Licensee shall abide by the Supplier Requirements set forth in the Conflict Minerals Policy attached hereto as **Exhibit E** (as it may be amended from time to time), including, but not limited to, providing THL, upon its request, with (1) complete and accurate country of origin information for the conflict minerals contained in Licensed Products and their components and (2) the documentation to support such information.

Cotton

. Without limiting the generality of anything contained in this Agreement, Licensed Products shall not incorporate cotton or any other material or product sourced from Uzbekistan or Turkmenistan or textiles produced using cotton or any other material or product sourced from Uzbekistan or Turkmenistan.

5.6

Animal Welfare and Sustainable Materials. THL aims to responsibly source materials of animal origin which are used to manufacture its products in a humane, ethical and sustainable manner. In support of this effort, Licensee shall abide by PVH’s policies related to the use of animal materials which are posted on its website at www.pvh.com/responsibility, as such may be updated from time to time. THL also aims to source raw materials of natural origin which are used to manufacture its products in an ethical and sustainable manner. Licensee shall abide by THL’s reasonable policy on the use of sustainable materials such as organic/sustainable cotton and polyester.

5.7

Additional CR Opportunities. Licensee shall notify PVH if Licensee wishes to participate in any of PVH’s corporate responsibility programs (e.g. women’s empowerment programs for supply chain workers and their communities (Personal Achievement & Career Enhancement or P.A.C.E. Program), low impact denim etc.) and PVH will determine Licensee’s eligibility for such programs based, in part, on Licensee’s corporate responsibility performance.

5.8

Samples of Licensed Products. Before producing, selling or distributing any Licensed Product, Licensee shall submit samples of each of said Licensed Product and all labels, tags, packaging materials, tickets, advertising and promotional materials and all other forms of identification that bear the Trademarks (the “Labels”) to be affixed thereto to THL for its prior written approval, utilizing any reasonable submission form provided by THL. Any approval given hereunder shall state the duration of such approval; provided, however, that if a duration is not specified, such approval shall be valid for five years, although THL shall have the right and any time during such five year period to rescind such approval on reasonable notice to Licensee. Furthermore, THL reserves the right to update and change the

design of any Licensed Product that carries over from one season to another. In addition, any such approvals shall authorize Licensee to make only such quantities of the approved item as Licensee and its Distributors reasonably expect to sell to Approved Accounts other than Off-Price Accounts, to THL and THL's Affiliates (including for TH Stores and TH Sites) and to Licensed Stores and Licensed Sites. Licensee shall submit to THL production samples of Licensed Products, if available, upon THL's reasonable request. Licensee shall provide all samples to THL at Licensee's sole cost and expense. Once samples have been approved, Licensee may manufacture only in accordance with such approved samples and shall not make any material changes for manufacture without THL's prior written approval. No Licensed Products (including samples) may be exhibited, displayed, distributed and/or sold by Licensee pursuant to this Agreement unless such Licensed Products are in substantial conformity with, and at least equal in, Quality to the samples previously approved by THL in accordance with this Section 5.8.

5.9 Non-Conforming Products. If any Licensed Product is, in the reasonable judgment of THL, not being manufactured and distributed with the previously approved Quality, THL shall notify Licensee, and Licensee shall promptly repair or change such Licensed Product to conform thereto. If after THL's request a Licensed Product as repaired or changed does not strictly conform and conformity cannot be obtained after one resubmission, Licensee may only sell the item after removing the Trademarks and Labels and all other forms of identification, including, without limitation, designs exclusive to Licensed Products. If THL finds any Licensed Products in the marketplace that, in THL's judgement, are inconsistent with approved Quality at the time of their sale, then THL shall notify Licensee thereof and promptly provide such reasonable information with respect thereto as Licensee shall reasonably request. If, after receiving all such information, Licensee fails within ten days to either correct such inconsistencies or remove such Licensed Products from the market, then THL may, at Licensee's expense, purchase any such Licensed Products.

5.10 Withdrawal of Approval. If at any time any Licensed Product ceases to be acceptable to THL, THL shall have the right in the exercise of its sole discretion to withdraw approval of such Licensed Product upon notice to Licensee. Upon withdrawal of approval, Licensee shall cease the use of the Trademarks in connection with the manufacture, distribution, promotion, advertising, and use of such Licensed Product(s). Notice of such election by THL to withdraw approval shall not relieve Licensee from its obligation to pay royalties on sales of such product(s) made by Licensee prior to the date of disapproval or thereafter as permitted. Licensee may, however, complete work in progress for three months from notice of withdrawal of approval, distribute, promote, advertise and sell all existing Inventory of such Licensed Products and utilize materials on hand provided that it submits proof of such work in progress and inventory of such discontinued Licensed Product to THL. All such discontinued Licensed Products shall be sold or otherwise disposed of in the manner set forth in Section 14.4 within 12 months of receipt of notice of withdrawal of approval.

5.11 Assistance by THL. THL shall provide creative concepts and fashion direction for each Seasonal Collection. THL has ultimate design and creative approval rights, and written approval is required at key dates as indicated in the Calendar. At least four times during each Annual Period, Licensee may, at its expense, visit THL's offices, factories, showroom, and other places of business, and attend THL's sales meetings to obtain additional know-how and assistance with respect to Licensed Products. The scheduling of such visits shall be at times mutually convenient to the Parties hereto. If Licensee requests any member(s) of THL's staff to make a personal appearance, to attend any function, to visit Licensee's manufacturing plants or facilities or to attend any design meetings, all of the foregoing shall be subject to scheduling availability, if any, and Licensee shall pay all reasonable expenses in connection

therewith, including appropriate airfare, lodgings, meals and local transportation consistent with the travel policy of THL; provided, however, that if Licensee requests Mr. Tommy Hilfiger to make such an appearance, Licensee shall pay all expenses in connection therewith, including appropriate airfare, lodgings, meals and local transportation consistent with Mr. Hilfiger's typical travel arrangements (e.g., private aircraft transportation). THL shall, upon reasonable request by Licensee, make available to Licensee certain samples (including of fabrics and of advertising materials), designs, colors, Labels, and artwork, the cost of which shall be borne by Licensee at the cost incurred by THL to provide the same. In addition to the foregoing, for marketing purposes, THL shall, upon request, make available to Licensee such of the following that are available to THL: (a) reports on THL's marketing policy; (b) reports on color, style and fabric trends; and (c) display ideas.

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

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

5.14 Standards. Licensee acknowledges that it has received, read and understands PVH's publications "A Shared Commitment - Requirements for Our Business Partners" and "Statement of Corporate Responsibility" attached hereto as **Exhibit F**. Licensee shall conduct its business in compliance with the moral, ethical and legal standards set forth in such publication, as the same may from time to time be revised by PVH upon reasonable notice to Licensee (the "Standards") and shall not do business with

any entity in connection with this Agreement, if Licensee knows or should reasonably know that such entity does not comply with the Standards; it being acknowledged and agreed that THL shall require its other licensees to abide by such limitations after the Effective Date on a non-discriminatory basis.

5.15

Manufacture of Licensed Products by Third Parties.

5.15.1

In General. All contractors wherever located which Licensee desires to use in connection with the manufacture of Licensed Products are subject to the prior written approval of THL. In order to maintain THL's high standard of quality control and to insure that appropriate measures are taken against counterfeiting, Licensee shall provide THL with the following information: (i) name and address of each proposed manufacturer; (ii) type of Licensed Products to be manufactured by such proposed manufacturer; (iii) quantity of Licensed Products to be manufactured by such proposed manufacturer; and (iv) any other relevant information requested by THL. Licensee shall obtain the signature of an authorized representative from each approved third-party manufacturer used by Licensee on an agreement (a "Third-Party Manufacturing Agreement"), substantially in the form of a template approved by THL. Licensee shall not enter into a Third-Party Manufacturing Agreement with any third party that Licensee knows or reasonably should know has materially breached a similar agreement with THL or its Affiliates or any licensee of THL or its Affiliates. Licensee shall not use, or allow or authorize the use of any individuals or entities with which a United States entity would be prohibited from dealing under any U.S. Government laws, statutes, regulations, orders or decrees, including, but not limited to, those entities and individuals listed on the U.S. Department of the Treasury list of Specially Designated Nationals or the various lists of prohibited and restricted persons and entities maintained by the U.S. Department of State and Commerce ("Prohibited Entities or Individuals"), including, without limitation, any manufacturer that hires North Korean labor. Notwithstanding the foregoing, Licensee acknowledges that it shall remain primarily liable and completely obligated under all of the provisions of this Agreement in respect of the production of Licensed Products hereunder.

5.15.2

Audit Requirement. Each facility that produces Licensed Products, whether directly or through a contractor, subcontractor or supplier, must be audited for compliance with the Standards prior to the commencement of production unless THL notifies Licensee in writing that it already has a current audit with respect to such facility that evidences compliance with the Standards. In addition, once approved by THL in accordance with Section 5.14.3 hereof, in order to maintain such approval, each facility must be re-audited at least once every [****] period after the initial audit, and perhaps more frequently at THL's request depending on the results of the most recent audit. Each audit shall be conducted by a suitable independent third party auditor designated by Licensee and approved by THL and shall be conducted using the evaluation form to be supplied by THL from time to time. All audits shall be conducted at Licensee's sole expense. THL has the right to require licensee to obtain similar audits and/or Higg Facilities Environmental index self-assessment and verification, in alignment with any THL corporate responsibility requirements, with respect to component suppliers who make components that bear the Trademarks, key component suppliers (suppliers of materials that make up at least 80% of production of such components) and suppliers that utilize resource intensive processes (energy/water), provided that THL is conducting audits of similar types of entities.

5.15.3

Approval

. Promptly upon the completion of each audit of a facility (including re-audits) a comprehensive audit report prepared by the approved independent third party auditor shall be provided to THL, attention of the Corporate Responsibility team. THL will endeavor to respond within 30 days from its receipt of an audit report to notify Licensee whether the facility is

disapproved, including its reason(s) for disapproval in reasonable detail, or whether the factory is approved, and if so, for how long such approval is valid.

5.15.4 Use of Facility. Unless a facility is approved as set forth herein, the facility shall not be used for the production of Licensed Products. If, on more than one occasion and after having received notice from THL of such prior occasion, Licensee uses a facility that has not been properly audited or re-audited or for which THL has not received a timely audit (or re-audit) report, THL may (i) hire an independent auditor of THL's choosing who shall report directly to THL to conduct an independent assessment, and Licensee shall reimburse THL for all reasonable costs incurred in connection with such independent assessment or (ii) terminate the License and all of the other rights granted to Licensee under this Agreement. If Licensee uses a facility for which an audit has revealed that remediation is required in order to be in compliance with the Standards, THL may require that Licensee conduct and complete certain training of such facility or reimburse THL in connection with the training of such facility, which may include, without limitation, completion of e-learning modules or in person consulting conducted by third party service providers. Nothing in this Section 5.14 shall be deemed to confer third-party beneficiary rights upon any person, corporation, partnership or other entity.

5.15.5 Termination of Facility. Licensee shall, within a reasonable time, terminate use of any facility used in connection with the production of Licensed Products that (i) materially breaches the Third Party Manufacturing Agreement or that Licensee knows, or should reasonably know, has materially breached a similar agreement with THL or its Affiliates or any licensee of THL or its Affiliates; (ii) is a Prohibited Entity or Individual; (iii) Licensee knows, or reasonably should know, uses false employment, health, safety or salary records, (iv) Licensee knows, or reasonably should know, violates Anti Bribery Laws or offers any of THL's or its Affiliates' associates or auditors/assessors of money, gifts, travel or entertainment or other consideration that is intended to or may be construed as an inducement to act (whether by commission or omission) in any manner; (v) that makes physical or verbal threats to THL or its Affiliates or their auditors or other representatives, refuses entry to the manufacturing site, denies access to documents, or denies permission to interview workers; (vi) that Licensee knows, or reasonably should know fails to comply with any material standard contained in the Standards or repeatedly fails to comply with the Standards; (viii) that Licensee knows, or reasonably should know sells Licensed Products to unauthorized entities; (ix) that Licensee knows, or reasonably should know produces or uses counterfeit products or components or (x) that Licensee knows, or reasonably should know fails to produce Licensed Products of the requisite Quality and is not able to demonstrate to THL's reasonable satisfaction that (A) it is diligently and in good faith taking measures to ensure that the facility produces Licensed Products of the requisite Quality and (B) Licensed Products that are not of the requisite quality are not being sold or distributed.

5.15.6 Notices on Invoices. Licensee shall require that all commercial invoices (bills of lading) to Licensee that accompany Licensed Products include the following language (either pre-printed or "stamped"):

We hereby certify that the merchandise (including components thereof) covered by this shipment was manufactured in compliance with PVH's publication "A Shared Commitment - Requirements for Suppliers, Contractors, Business Partners" and PVH's "Statement of Corporate Responsibility" and: (1) it was manufactured in compliance with (a) sections 6, 7, and 12 of the Fair Labor Standards

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

5.16 Anti-Counterfeiting Materials. To aid THL in policing counterfeiting, upon THL's written request, Licensee shall provide regular updates of Licensed Products produced by Licensee and any third-party manufacturer, contractor, subcontractor and supplier that manufactures Licensed Products or from which Licensee obtains Licensed Products or materials for the manufacture of Licensed Products, such as line-books, brochures and/or product DVDs. Licensee shall also designate an employee with specialization in the Licensed Products to assist THL in ascertaining whether products are counterfeit. THL shall procure online brand protection services for the Licensed Products that shall include, at a minimum, (i) the identification, on major online marketplaces throughout the Territory, of listings of counterfeit Licensed Product and of listings of authentic Licensed Products containing copyrighted images of the Licensed Products and (ii) the utilization of such marketplaces' takedown mechanisms to request the removal of such listings. Licensee shall provide such assistance as is reasonably required in connection with such online brand protection services.

ARTICLE VI. BRAND DEVELOPMENT, SALES AND MARKETING

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

6.2 Sales and Deliveries. For each Seasonal Collection during the License Period, Licensee shall ship no less than [***] of Licensed Products ordered and un-cancelled by customers. Licensee shall use its reasonable best efforts to ensure that each order is shipped by the date requested by

Licensee's customers. An order to be shipped to a customer which is on credit hold or other hold shall not be deemed to be an untimely shipment, provided that Licensee notifies the customer in writing of the existence of the hold on the account and the reason for the hold, prior to the requested shipment date. Each order shall bear the respective shipping schedule. Licensee will, within 15 days of THL's request, supply documentation evidencing such timely delivery during the immediately preceding quarter. Licensee shall not be deemed in breach of this Section until the second quarter in which it violates the terms hereof.

6.3 Reporting. Licensee shall submit the following reports to THL, which, if requested by THL, shall be in the form provided by THL:

(a) Within 75 days after the end of each Annual Period, a certification by an authorized officer of Licensee of the Net Sales of Licensed Products during such Annual Period;

(b) On or before the 15th day of each month, reports of the prior month's (i) monthly net shipments, (ii) retail selling results, and (iii) revised annual projections by month;

(c) On or before the third day after the close of each of THL's fiscal quarters during the License Period (THL to advise Licensee of the applicable dates at the beginning of each fiscal year), Licensee's best estimate of Net Sales from the immediately preceding month (i.e., April, July, October or January, as applicable) which shall be used for THL's budget estimation purposes only and no royalty calculation or invoicing will occur based upon these amounts;

(d) On or before each January 15 during the License Period, a five year business projection (year one by month and years two through five on an annual basis);

(e) On or before each August 15 during the License Period, a three year business plan;

(f) On or before each January 15, a schedule of projected sales and marketing plans for the Licensed Products for the next three Annual Periods for THL's approval;

(g) At the time when each Percentage Royalty payment is due, a complete and accurate royalty statement as more fully described in Section 8.3; and

(h) By no later than March 31st of each Annual Period, Net Sales by State with respect to Licensee's sales in the United States made during the immediately preceding calendar year.

6.4 Net Sales. As used herein "Gross Wholesale Sales" means the invoiced amount for Licensed Products, including, but not limited to, Seconds and Close-Outs, sold by Licensee or its Affiliates to parties other than Licensee's Affiliates, before any deductions for allowances, discounts, returns, taxes, insurance or freight, provided that when Licensee or its Affiliates sell Licensed Products to consumers in Movado Outlets, Gross Sales shall be based on the bona fide wholesale prices charged by Licensee to independent retailers in arms' length transactions. "Net Wholesale Sales" means the Gross Wholesale Sales, less only (i) returns (or destruction in place) that Licensee actually allowed and, for returns, actually received by Licensee, (ii) allowances (i.e., credits to a customer after delivery, including credits for returns, promotions and markdowns) that Licensee actually grants in writing, (iii) trade discounts (i.e.,

reductions in the list wholesale selling price that are customary in the trade) that Licensee actually grants in writing prior to delivery and (iv) taxes, freight and insurance to the extent the same are separately stated on Licensee’s invoices. No other deductions from Gross Wholesale Sales shall be taken in computing Net Wholesale Sales, including, but not limited to, deductions for special promotions, advertising, warehouse or distribution expenses or for uncollectible accounts. For the purpose of computing of Net Wholesale Sales, the foregoing permitted deductions shall not exceed [***] of Gross Wholesale Sales in any Annual Period. “Net E-Commerce Sales” shall mean the price paid by consumers (by any form of payment including, without limitation, cash, credit cards, gift cards, etc.) for Licensed Products sold on the Hour Time Site less returns, itemized taxes, freight and insurance. “Net Sales” shall mean Net Wholesale Sales plus Net E-Commerce Sales. For purposes of this Agreement, a Licensed Product shall be considered “sold” upon the date of billing, invoicing, shipping or payment, whichever occurs first.

6.5 Minimum Sales.

6.5.1 Watches. During each Annual Period during the License Period, Licensee shall be required to achieve minimum Net Sales with respect to Licensed Products consisting of men’s and women’s watches (“Watch Products”) in the amount set forth below for the applicable Annual Period (“Watch Minimum Sales”). Licensee shall not receive credit towards Watch Minimum Sales for (a) sales to THL or its Affiliates (including for TH Stores and TH Sites), Licensed Stores, or Licensed Sites (“THL Sales”); (b) sales pursuant to Section 5.9 (Non-Conforming Products); or (c) any sales in breach of this Agreement, including, without limitation, Off-Price Sales in excess of the Off-Price Cap , sales outside the Territory or sales to unapproved customers (collectively the “Excluded Sales”).

<u>Annual Period</u>	<u>Watch Minimum Sales</u>
INITIAL LICENSE PERIOD	
[***]	[***]
RENEWAL LICENSE PERIOD (IF ANY)	

***	***
-----	-----

THL shall have the right to terminate this Agreement with respect to Watch Products upon 30 days written notice to Licensee if [***]. Thereupon, the provisions of Section 14.4 shall control the disposition of Inventory of Watch Products.

6.5.2 Jewelry Products. During each Annual Period during the License Period, Licensee shall be required to achieve minimum Net Sales with respect to Licensed Products consisting of jewelry products (“Jewelry Products”) in the amount set forth below for the applicable Annual Period (“Jewelry Minimum Sales”). Licensee shall not receive credit towards Jewelry Minimum Sales for Excluded Sales:

<u>Annual Period</u>	<u>Jewelry Minimum Sales</u>
INITIAL LICENSE PERIOD	
***	***
RENEWAL LICENSE PERIOD (if any)	
***	***

THL shall have the right to terminate this Agreement with respect to Jewelry Products upon 30 days written notice to Licensee if [***]. Thereupon, the provisions of Section 14.4 shall control the disposition of Inventory of Jewelry Products.

6.5.3 Calculation of Sales. For the purposes of determining sales for all purposes hereunder, including for the calculations of Watch Minimum Sales, Jewelry Minimum Sales, Watch GMA, Jewelry GMA, Advertising Contribution and royalty calculations hereunder, sales made in any foreign currency shall be converted to U.S. Dollars at the exchange rate as of the close of business on the day on which such sales were made, as published by Reuters (or other nationally recognized source of

such information; provided that Licensee shall notify THL of any change in such source and may not change sources more than once every two years) (the “Exchange Rate”).

6.6 Approved Customers. Licensee shall sell and shall require that its Distributors sell, Licensed Products only to (a) those specialty shops, department stores and retail outlets, including E-Commerce accounts, whose operations are consistent with the prestige of the Trademarks and THL’s sales policies and which have been pre-approved in writing by THL in its sole discretion, (together with the accounts set forth in clauses (c) and (d) herein, “Approved Accounts”), (b) THL and its Affiliates, Licensed Stores and Licensed Sites (c) corporate accounts for the use of the employees of such corporate accounts (“Approved Corporate Accounts”), provided such accounts have been approved in writing by THL and provided further that such accounts do not sell alcohol, tobacco, gaming or firearms products; and (d) advertising specialty companies for resale only to Approved Corporate Accounts, for the use of their employees, and not for resale, provided that such advertising specialty companies shall, prior to receiving any Licensed Products from Licensee, execute an agreement providing for such limitation on resale. **Exhibit G** sets forth a list of Approved Accounts as of the Effective Date. Prior to the opening of each selling season and whenever Licensee wishes to sell Licensed Products to customers not previously approved, Licensee shall submit a list of its proposed customers for THL’s written approval. THL shall have the right to revoke its approval of an Approved Account or Approved Corporate Account upon 30 days prior written notice to Licensee, if THL determines in its sole discretion that the customer no longer meets its standards. Notwithstanding the foregoing, Licensee shall be permitted to fulfill any orders to such account that were firm prior to such revocation. Licensee shall use all commercially reasonable efforts to prevent its customers from selling Licensed Products outside of the Territory. If any such sales occurs after THL has advised Licensee of such sales, Licensee shall stop selling Licensed Products to such customer and such customer shall cease being an Approved Account hereunder. THL may, at Licensee’s expense, purchase any Licensed Products found in the marketplace that Licensee has sold to unapproved customers.

6.6.1 Notice to Customers. Licensee shall include the following (or substantially similar language) in a letter or notice disseminated to its customers located in North America one time per each Annual Period in connection with the Licensed Products:

“Limitations on Sale by Buyer.

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

This merchandise is sold to Buyer for resale to the ultimate consumer only. Buyer is expressly prohibited from selling the merchandise purchased hereunder to a retailer or other dealer in like merchandise, or to any party who Buyer knows, or has reason to know, intends to resell the merchandise.

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

6.6.2

Off-Price Accounts. Licensee may sell Seconds and Close-Outs only to those Approved Accounts designated in writing as off-price customers and to Movado Outlets (collectively the “Off-Price Accounts”); provided, however, that (i) Net Wholesale Sales of Seconds in any Annual Period shall not exceed [***] of Net Wholesale Sales (not including the Excluded Sales) for such Annual Period (the “Seconds Cap”) and (ii) Net Wholesale Sales to Off-Price Accounts in any Annual Period shall not exceed [***] of Net Wholesale Sales (not including the Excluded Sales) for such Annual Period (collectively, the “Off-Price Caps”). For the avoidance of doubt, Movado Outlets and the “Off-Price Accounts” listed on **Exhibit G** are the only Off-Price Accounts that are approved as of the Effective Date. Licensee shall use all commercially reasonable efforts to prevent Off-Price Accounts from selling Licensed Products outside of the Territory, advertising or promoting the sale of Licensed Product (other than within its brick and mortar stores), and from selling Licensed Products in catalogs, via E-Commerce (unless such account is an e-commerce account) or other than in its brick and mortar stores, and if any such sales occur after Licensee has warned a customer to stop such sales, Licensee shall stop selling Licensed Products to such customer and such customer shall cease being an Off-Price Account hereunder.

(a)

Seconds. As used herein “Seconds” means damaged, imperfect, defective or otherwise non-first quality Licensed Products. The sale or other disposition of Seconds is prohibited, unless expressly pre-approved in writing by THL with respect to the terms and method of such disposal, and then only in a way that shall not reduce the value of the Trademarks. Any Seconds approved for sale by TH shall be clearly marked “Seconds” or “Irregular”.

(b)

Program Sales. Licensee is prohibited from manufacturing Licensed Products specifically for sale to Off-Price Accounts which are distinct from Licensed Products which have theretofore been sold by Licensee to Approved Accounts which are not designated as “Off-Price Accounts” (the “Full Price Accounts”). Notwithstanding the foregoing, Licensee is expressly permitted to sell Licensed Products that are manufactured specifically for sale to Off-Price Accounts after at least six months have passed since the initial introduction of such Licensed Products at Full Price Accounts.

(c)

Close-Outs. As used herein “Close-Outs” means first quality Licensed Products that under applicable industry standards cannot be, or are not sold to Full Price Accounts, although they were originally intended for sale to such accounts (such as overruns and excess merchandise).

6.6.3

Off-Price Cap Penalties: All sales to Off-Price Accounts in excess of one or both of the Seconds Cap and/or the Off-Price Cap are subject to an additional penalty royalty (“Penalty Royalty”) of [***]. For the avoidance of doubt, the Penalty Royalty is in addition to the Percentage Royalty set forth in Section 8.2 hereof and shall not be deemed to make such sales permissible hereunder. The Penalty Royalty shall be paid in the same manner as the Percentage Royalty on such sales. The Parties hereby agree that the Penalty Royalty set forth herein is reasonable in light of the anticipated or actual harm caused by sales in excess of the Seconds Cap and the Off-Price Cap, the difficulties of proof of loss and the inconvenience or infeasibility of otherwise obtaining an adequate remedy, but shall not cure any default and shall not preclude TH from enforcing the provisions of this Agreement by pursuing any action or remedy as allowed hereunder or by law, all of which shall be cumulative.

6.7 Prohibited Sales. Except as expressly permitted by THL in writing (including in respect of Approved Accounts to the extent such activities are encompassed by THL's approval), Licensee may not (a) market or promote or seek customers for Licensed Products outside of the Territory; (b) establish a branch, wholly owned subsidiary, distribution center or warehouse with inventories of Licensed Products outside of the Territory (other than within a country in which the Licensed Products are manufactured, for the purpose of managing that manufacturing and export); (c) sell or distribute any Licensed Products to wholesalers, jobbers, diverters, catalog vendors or any other entity that does not operate retail stores exclusively other than as expressly permitted herein or pursuant to THL's written approval, and to its distributors which distribute only to U.S. military bases or to retail customers in the Territory that satisfy the criteria set forth in Section 6.6 hereof; (d) sell Licensed Products directly to the public in retail stores, other than through Movado Outlets; (e) sell or distribute any Licensed Products over the Internet or any other global or regional computer access network; or (f) use Licensed Products as giveaways, prizes or premiums, except for promotional programs which have received the prior written approval of THL.

6.8 Unapproved and Prohibited Sales.

6.8.1 Generally. Licensee shall promptly report to THL, to the extent Licensee knows or should reasonably be expected to know, all sales (i) of Licensed Products to unapproved customers, (ii) of products using the Trademarks that have not been approved by THL as Licensed Products, and (iii) otherwise prohibited under Section 6.7 (collectively "Unapproved and Prohibited Sales"), including the number of units, description of product, customers, prices and shipping dates. Licensee shall promptly respond to and investigate any good faith inquiries from THL about the same. Promptly after Licensee has actual notice of any Unapproved and Prohibited Sales, it shall take reasonable measures to remedy the same, including, to the extent reasonably practicable, repurchasing the goods.

6.8.2 Penalty for Sales by Licensee or its Affiliates. THL may charge Licensee a penalty (a "Penalty") if in any 12 -month period (a "Penalty Period") the total aggregate Unapproved and Prohibited Sales by Licensee and/or its Affiliates exceeds [***]. The Penalty shall be equal to [***], which Licensee agrees is fair compensation therefor. Such Penalty shall not, by itself, cure such default. Upon payment of a Penalty, a new Penalty Period shall immediately commence; meaning, for example, that Licensee could be required to pay another Penalty if Prohibited and Unapproved Sales by Licensee and its Affiliates exceed [***] in the 12-month period following payment of a Penalty.

6.8.3 By Distributors. THL may charge Licensee a Penalty if the total aggregate Unapproved and Prohibited Sales by Distributors in any Penalty Period exceeds [***]; provided, however, there shall be no Penalty for [***]. The Penalty shall be equal to [***], which Licensee agrees is fair compensation therefor. Such Penalty shall not, by itself, cure such default. Upon payment of a Penalty, a new Penalty Period shall immediately commence; meaning, for example, that Licensee could be required to pay another Penalty if Prohibited and Unapproved Sales by Distributors exceed [***] in the 12-month period following payment of a Penalty.

6.9 Showroom. Licensee may display Licensed Products for sale only in a separate showroom exclusive to Licensed Products, designed, displayed and fixtured in accordance with THL's specifications (as may be updated from time to time throughout the License Period) The style and manner in which Licensed Products will be displayed in said showroom are subject to THL's approval.

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

6.11 Warranty/Guarantee. All Licensed Products will be sold together with a standard warranty as to replacement and/or repair of a one year duration (or such longer period as Licensee and its Affiliates generally offer with respect to Products).

6.12 Products for THL, Licensed Stores and Licensed Sites. Sales of Licensed Products to THL or its Affiliates are exempt from any royalty or advertising obligation requirements hereunder.

6.12.1 Products for THL's Use. Licensee shall supply THL with two complete sets of each Seasonal Collection, at Licensee's sole cost and expense.

6.12.2 Purchases For THL's Employees. Licensee shall sell to THL a reasonable amount of in-stock Licensed Products for the personal use of THL employees at [***] off the regular wholesale price on standard industry terms.

6.12.3 Purchases By TH Outlets. At the beginning of each season, and prior to offering such products to third parties, Licensee shall offer Close-Outs TH Stores consisting of outlet stores ("TH Outlets"). In no event shall Licensee make available to TH Outlets fewer Licensed Products than it makes available to outlet stores operated by Licensee or Affiliates of Licensee. TH Outlets may also purchase in-stock Licensed Products. The price of Licensed Products sold to TH Outlets shall be [***] off Licensee's standard suggested retail price; provided, however, that the price of Licensed Products sold to TH Outlets located in Canada shall be the "Canadian dollar suggested retail price of such Licensed Products in Canada less [***]". Licensee shall fill the orders of the TH Outlets in a manner at least as favorable as Licensee fills orders from its other Off-Price Accounts.

6.12.4 Purchases By TH Stores, TH Sites, Licensed Stores and Licensed Sites. Beginning on the first day of each of Licensee's market periods, TH Stores, TH Sites, Licensed Stores and Licensed Sites may purchase Licensed Products from Licensee. The prices charged to each shall be no greater than the following:

<u>Purchaser</u>	<u>Price</u>
Licensed Stores and Licensed Sites	[***]
TH Stores and TH Sites (other than TH Stores located in Canada and Europe)	[***]
TH Stores located in Canada	[***]

TH Stores located in Europe	[***]
-----------------------------	-------

*Where customs duties or other obstacles to direct sales to TH Stores or Licensed Stores in certain territories make impracticable the selling of Licensed Products at the prices set forth herein, those prices shall not apply. Instead, Licensee shall cooperate with THL and utilize commercially reasonable efforts to develop alternative solutions that enable TH Stores and Licensed Stores to purchase Licensed Products at reasonable prices in those territories. In addition, if Licensee agrees to provide additional services such as merchandising or training to a particular TH Store, Licensed Store, or group of such stores, then the appropriate parties may agree upon a higher price than that set forth above to compensate Licensee for such services.

All of the foregoing purchases shall be on standard industry terms. Licensee shall fill such orders in a manner at least as favorable as Licensee fills orders from its other comparable customers.

ARTICLE VII. ADVERTISING

7.1

Advertising Contribution.

7.1.1

Contribution for Watch Products. During each Annual Period or portion thereof (calculated on a *pro rata* basis) during the License Period, Licensee shall pay to THL an advertising contribution solely with respect to Watch Products in the amount listed below for the applicable Annual Period (the “Watch Contribution”):

<u>Annual Period</u>	<u>Watch Contribution</u>
INITIAL LICENSE PERIOD	
1/1/20 – 12/31/20	***
1/1/21 – 12/31/21	***
1/1/22 – 12/31/22	***
1/1/23 – 12/31/23	***
1/1/24 – 12/31/24	***
RENEWAL LICENSE PERIOD (if any)	
Each Annual Period during the Renewal License Period, if any	***

The Watch Contribution for each Annual Period shall be payable in four equal installments by no later than January 1, April 1, July 1 and October 1 of such Annual Period.

7.1.2

Contribution for Jewelry Products. During each Annual Period or portion thereof (calculated on a *pro rata* basis) during the License Period, Licensee shall pay to THL an advertising contribution solely with respect to Jewelry Products in the amount listed below for the applicable Annual Period (the “Jewelry Contribution”):

<u>Annual Period</u>	<u>Jewelry Contribution</u>
INITIAL LICENSE PERIOD	
1/1/20 – 12/31/20	[***]
1/1/21 – 12/31/21	[***]
1/1/22 – 12/31/22	[***]
1/1/23 – 12/31/23	[***]
1/1/24 – 12/31/24	[***]
RENEWAL LICENSE PERIOD (if any)	
Each Annual Period during the Renewal License Period, if any	[***]

The Jewelry Contribution for each Annual Period shall be payable in four equal installments by no later than January 1, April 1, July 1 and October 1 of such Annual Period.

7.2 Media Plan and Advertising Spending.

7.2.1 Media Plan. In an effort to reach an agreement regarding the media plan for each Annual Period during the License Period, THL and Licensee shall discuss the media plan during the December immediately preceding such Annual Period. A similar discussion will be had in connection with any changes to any such plan.

7.2.2 THL's Advertising Spend. [***]THL will spend the amounts received from Licensee pursuant to Sections 7.1.1 and 7.1.2 above within the applicable Annual Period in the Territory as follows: [***].

Each Annual Period, THL will use commercially reasonable efforts to expend an amount equivalent to at least [***] of the prior Annual Period's Net Sales on advertising as set forth above. Such expenditures will include, without limitation, marketing, advertising, public relations, special events and promotions, production, administration and other costs directly related to all of the foregoing. Additionally, Licensee acknowledges that, THL may allocate a portion of Licensee's payments toward THL (or its Affiliates' or licensees') production of advertising materials and costs incurred in connection therewith (e.g. costs for photographers, models, usage rights, advertising shoots, etc.) provided Licensed Products are depicted in such materials. Any apportionment of advertising costs among Licensed Products and other products

bearing the Trademark shall be made by THL in its reasonable discretion. Additionally, THL may undertake various endorsements, team and event sponsorship and other such activities as THL deems appropriate as part of a worldwide marketing program to develop its image internationally. Subject to the foregoing, THL will be entitled to allocate up to [***]% of Licensee's advertising payments (*i.e.*, [***]% of the prior Annual Period's Net Sales) toward Licensee's share of the cost of such program; provided, however, that such allocation will be increased to [***]% of Licensee's advertising payments (*i.e.*, [***]% of the prior Annual Period's Net Sales) to the extent such marketing program generally includes Licensed Products (*e.g.*, an influencer campaign provided such influencer is able to promote Licensed Products even if such Licensed Products are not featured in every printed material in which such influencer appears).

7.2.3 Licensee's Advertising Spending. With respect to each Annual Period or portion thereof (calculated on a *pro rata* basis) during the License Period, Licensee shall spend an amount equal to [***] percent of Net Sales of Watch Products made during that Annual Period (not including THL Sales) (the "Advertising Expenditure") on cooperative and direct advertising in the Territory in support of the Watch Products. Each February during the License Period, THL and Licensee shall discuss the creative and media plans in an effort to reach a mutual agreement about Licensee's spending, but in the absence of such agreement, Licensee will spend the amounts required hereunder in support of the Licensed Products through (a) cooperative advertising and (b) direct advertising. If Licensee fails to properly spend the Advertising Expenditure in any given Annual Period, then Licensee shall spend the amount of any shortfall (the "Shortfall"), up to [***], for the designated expenses by no later than June 30th of the following Annual Period (the "Carryover Period"), in addition to its independent advertising spending obligations for that Annual Period (it being acknowledged that advertising expenditures made during the Carryover Period shall first be deemed to cover the Shortfall and second spending obligations for such Annual Period). If the Shortfall has not been properly spent by the end of such Carryover Period, then the amount which should have been expended and which was not expended shall be paid over to THL by no later than 30 days after the end of such Carryover Period; provided, however, that if the Advertising Expenditure or any Shortfall has not been fulfilled upon the expiration or termination of the License Period, the unexpended amounts shall be paid over to THL absolutely within 30 days after such expiration or termination. Furthermore, if the Shortfall exceeds [***], then the amount by which the Shortfall exceeds [***] shall be paid over to THL by no later than January 31 immediately following the Annual Period in which the Shortfall occurred.

7.2.4 Incremental Expenditure. Each Annual Period, in addition to the Watch Contribution, the Jewelry Contribution and the Advertising Expenditure hereunder, Licensee shall spend, or contribute to THL to spend, an additional amount equal to [***] (the "Incremental Expenditure") (*e.g.*, [***]). Each July during the License Period, THL and Licensee shall meet to determine how the Incremental Expenditure shall be spent and by which party.

7.3 Approval of Labels and Licensee's Advertising. All of Licensee's Labels, marketing, and advertising copy and the media of all of the aforesaid, if any, shall comply with specifications provided from time to time by THL and are, at all times, subject to the prior written approval of THL. No advertising, including cooperative advertising whereby Licensee provides a customer with a contribution toward the cost of an advertisement for Licensed Products, whether by way of credit or otherwise, may be used without the prior written consent of THL; provided that once the form of an in-store or in-trade (including, without limitation, trade shows collateral material) advertising material has been approved, then such material may be re-used without any further approval. Additionally, under no

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

7.4 Branded Shows. Licensee shall, at Licensee’s sole cost and expense, participate in and provide Licensed Products in reasonable quantities for fashion shows held by THL and/or THL’s other licensees.

7.5 Trade Shows. Licensee may not participate in trade shows without the prior written consent of THL. To the extent that THL does consent to such participation, the booth or showroom shall be subject to THL’s prior written approval in each instance. All expenses for the booth or showroom and in relation to said trade shows shall be borne by Licensee.

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

ARTICLE VIII. ROYALTIES AND RELATED FEES

8.1 Guaranteed Minimum Royalty.

8.1.1 Watch GMR. Licensee shall, during each Annual Period or portion thereof (calculated on a *pro rata* basis), pay to THL the minimum royalties listed below for the applicable Annual Period solely with respect to sales of Watch Products (the “Watch GMR”). Licensee shall not receive credit towards the Watch GMR for any Percentage Royalty or other payment paid, if any on sales of Jewelry Products or on Excluded Sales:

<u>Annual Period</u>	<u>Watch GMR</u>
INITIAL LICENSE PERIOD	
1/1/20 – 12/31/20	***
1/1/21 – 12/31/21	***

1/1/22 – 12/31/22	[***]
1/1/23 – 12/31/23	[***]
1/1/24 – 12/31/24	[***]
RENEWAL LICENSE PERIOD (if any)	
Each Annual Period during the Renewal License Period, if any	[***]

The Watch GMR for each Annual Period shall be payable in four equal installments by no later than January 1, April 1, July 1 and October 1 of such Annual Period. Notwithstanding the foregoing, the installment of the Watch GMR for any quarter shall be payable only to the extent of the excess, if any, of (x) such installment plus the aggregate amounts payable under this Section 8.1.1 for all prior quarters in any Annual Period over (y) the aggregate actual payments under this Section 8.1.1 and Section 8.2 solely with respect to Watch Products for all prior quarters in respect of such Annual Period.

8.1.2 Jewelry GMR. Licensee shall, during each Annual Period or portion thereof (calculated on a *pro rata* basis), pay to THL the minimum royalties listed below for the applicable Annual Period solely with respect to sales of Jewelry Products (the “Jewelry GMR”). Licensee shall not receive credit towards the Jewelry GMR for any Percentage Royalty or other payment paid, if any, on sales of Watch Products or on Excluded Sales:

<u>Annual Period</u>	<u>Jewelry GMR</u>
INITIAL LICENSE PERIOD	
1/1/20 – 12/31/20	[***]
1/1/21 – 12/31/21	[***]
1/1/22 – 12/31/22	[***]
1/1/23 – 12/31/23	[***]
1/1/24 – 12/31/24	[***]

RENEWAL LICENSE PERIOD (if any)	
Each Annual Period during the Renewal License Period, if any	***]

The Jewelry GMR with respect to each Annual Period shall be payable in four equal installments by no later than January 1, April 1, July 1 and October 1 of such Annual Period. Notwithstanding the foregoing, the installment of the Jewelry GMR for any quarter shall be payable only to the extent of the excess, if any, of (x) such installment plus the aggregate amounts payable under this Section 8.1.1 for all prior quarters in any Annual Period over (y) the aggregate actual payments under this Section 8.1.1 and Section 8.2 solely with respect to Jewelry Products for all prior quarters in respect of such Annual Period.

8.2 Percentage Royalty. Except as specifically exempted, all sales of Licensed Products require the payment of percentage royalties (“Percentage Royalties”) equal to ***] of Net Sales. Percentage Royalties shall be payable quarterly in arrears on each April 30, July 30, October 30 and January 30 of each during the License Period; provided, however, that the last payment of Percentage Royalties with respect to sales during the License Period shall be made within 30 days after the end of the License Period. Notwithstanding the foregoing, Percentage Royalties shall be payable only to the extent of the excess, if any, of (i) the aggregate Percentage Royalties payable for Watch Products and for Jewelry Products, as the case may be, for such quarter and all prior quarters in respect of such Annual Period over (ii) the aggregate amount of the Watch GMR or the Jewelry GMR payments, as the case may be, made to date under Section 8.1 in respect of such Annual Period plus the aggregate amount of payments under this Section 8.2 with respect to the applicable Products for all prior quarters in respect of such Annual Period. Payment of the Watch GMR and the Jewelry GMR shall not relieve Licensee of its obligation to make the Percentage Royalty payments with respect to the applicable Products, it being understood and agreed by Licensee that it is obligated each Annual Period to pay, with respect to Watch Products, the greater of (a) the Watch GMR and (b) the Percentage Royalty with respect to sales of Watch Products made during such Annual Period and, with respect to Jewelry Products, the greater of (x) the Jewelry GMR and (y) the Percentage Royalty with respect to sales of Jewelry Products made during such Annual Period. All royalties shall accrue upon the sale of Licensed Products, regardless of the time of collection by Licensee. No Percentage Royalties shall be due on purchases of Licensed Products by TH Stores, TH Sites, Licensed Stores or Licensed Sites.

8.3 Royalty Statements. At the time when each Percentage Royalty payment is due, Licensee shall deliver to THL a royalty statement in a form provided by THL from time to time, signed by a duly authorized officer of Licensee and certified by such officer as complete and accurate, setting forth for each month during the immediately preceding calendar quarter, and for such calendar quarter in the aggregate, in the case of the statement for each calendar quarter ending December 31, for each Annual Period in the aggregate, all of the following information, separately for Watch Products and for Jewelry Products: (i) Gross Sales by product category in U.S. Dollars using the Exchange Rate; (ii) the amount of returns, allowance and discounts which properly may be deducted from Gross Wholesale Sales in calculating Net Wholesale Sales, as applicable; (iii) Net Sales by product category in U.S. Dollars using the Exchange Rate; (iv) Gross Sales and Net Sales by country in U.S. Dollars using the Exchange Rate, including separately Net Sales to THL, Net Sales of Seconds, Net Sales to Off Price Accounts, total units

of Seconds sold (only for each statement for the calendar quarter ending December 31) and total units sold to Off Price Accounts (only for each statement for the calendar quarter ending December 31); (v) Net Sales in North America by account in U.S. Dollars using the Exchange Rate; and (vi) a computation of the amount of Percentage Royalties due for each product category of the Licensed Products. Licensee shall provide a complete list of customers to whom Licensed Products were shipped during the applicable reporting period. At least once annually, or more often at THL's written request, Licensee shall also submit to THL a certification from its chief financial officer that its statements up through that date have been in compliance with the requirements of this Section 8.3. Receipt or acceptance by THL of any statement furnished, or of any sums paid by Licensee, shall not preclude THL from questioning their correctness at any time. On the other hand, reports submitted by Licensee shall be binding and conclusive on Licensee in the event of any termination of this Agreement based on a breach by Licensee arising out of any payment or report.

8.4 Merchandise Coordinator Program. Licensee may use its own merchandise coordinators provided that Licensee establishes a contact person who shall work with THL's representatives in respect of Licensee's merchandise coordinators. THL may review the performance of Licensee's coordinators and, if THL reasonably determines that Licensee's coordinators are not performing at a level consistent with industry standards, then THL shall so notify Licensee, specifying the inadequate performance in reasonable detail. Within 45 days after its receipt of such notice, Licensee shall remedy the inadequate performance.

8.5 No Set-Off. The obligation of Licensee to pay royalties hereunder is absolute notwithstanding any claim that Licensee may assert against THL. Licensee shall not have the right to set-off, compensate or make any deduction from such royalty payments for any reason whatsoever. In the event that Licensee fails to make any payments hereunder when due in breach of this Agreement, Licensee shall reimburse THL for all reasonable costs and expenses (including reasonable attorneys' fees) incurred by THL in recovering the amounts owed.

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

9.1 Manner of Payment. All payments required by Licensee hereunder shall be made by wire transfer of immediately available funds in US Dollars to the bank accounts designated by THL, as set forth in **Exhibit H** hereto, as follows: (i) [***] of such payments to THL and (ii) [***] of such payments to be made to THL's Affiliate, Tommy Hilfiger Europe BV, which provides on-going global design and marketing oversight and direction for the benefit of Licensee to enhance the value of the Trademarks, in connection with the manufacture, distribution, and sale of products in the Territory. All payments required by Licensee hereunder, unless otherwise instructed by THL, shall be made in U.S. Dollars.

9.2 Interest on Late Payments. In addition to any other remedy available to THL, if any payment due under this Agreement is delayed for any reason, interest shall accrue and be payable, to the extent legally enforceable, on such unpaid principal amounts from and after the date on which the same

became due, at a per annum rate equal [***] the prime rate of interest in effect on the due date of the late payment as published by JP Morgan Chase Bank in New York, New York, U.S.A.

9.3 Taxes. Licensee shall bear all taxes, duties and other governmental charges in the Territory relating to or arising under this Agreement (except taxes on THL's income), any stamp or documentary taxes or duties, turnover, sales or use taxes, value added taxes, excise taxes, customs or exchange control duties and any other charges relating to or on any royalty payable by Licensee to THL. Licensee shall obtain, at its own cost and expense, all licenses, reserve bank, commercial bank or other bank approvals, and any other documentation necessary for the importation of materials and the transmission of royalties and all other payments relevant to Licensee's performance under this Agreement. If any tax or withholding is imposed on royalties, Licensee shall obtain certified proof of the tax payment or withholding and immediately transmit it to THL within 30 days after Licensee pays such tax payment or withholding to the applicable taxing authority. If Licensee does not transmit proof of the withholding tax payment (or other tax payment) within such 30 day period, then the amount payable by Licensee shall be increased to provide to THL such amount as would be payable to THL in the absence of any such tax, charge, duty or impost.

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

9.5 Underpayments. If, upon any examination of Licensee's books and records, THL shall discover any underpayment by Licensee, Licensee will make all payments required to be made to correct and eliminate such underpayment within 10 days after THL's demand for such payment, which demand sets forth in reasonable detail all such alleged underpayments. Licensee will reimburse THL for the reasonable costs of said examination within 10 days after THL's demand if said examination reveals a royalty or advertising underpayment of [***] or more for any period. Any payment by Licensee hereunder shall not preclude Licensee from contesting the results of THL's audit.

9.6 Financial Statements. Licensee shall provide to THL copies of its annual report on form 10-K and quarterly reports on form 10-Q as filed with the United States Securities and Exchange Commission within five days after the date such reports are filed, provided that such obligation shall be deemed satisfied so long as such reports are publicly available.

ARTICLE X. REPRESENTATIONS AND WARRANTIES

10.1 Representations and Warranties of Licensee. Licensee hereby represents warrants and covenants that:

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

Representations and Warranties of THL

. THL hereby represents, warrants and covenants that:

- (a) it has the right, power and authority to execute and deliver this Agreement and to grant the rights provided hereunder to Licensee;
- (b) it is a private company with limited liability, duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation,
- (c) all necessary company acts have been effected by it to render this Agreement valid and binding upon it;
- (d) in its negotiations relative to this Agreement, it has not utilized the services of any finder, broker or agent, and it owes no commission or fees to any such person in relation hereto.

THL agrees to indemnify Licensee against, and hold it harmless from, any and all liabilities (including, without limitation, reasonable legal fees) to any person, firm or corporation claiming commissions or fees in connection with this Agreement or the transactions contemplated hereby as a result of an agreement with or services rendered to THL; and

(e) no other persons or entities have or shall have any right to sell or market Licensed Products in the Territory during the License Period, except as otherwise provided for herein.

ARTICLE XI. CONFIDENTIALITY AND HIRING OF EMPLOYEES

11.1 Confidentiality. Any and all information of any kind in any form acquired, devised or developed from either party, such party's files or such party's personnel, suppliers, subcontractors, or Third Party Manufacturers by the other, including but not limited to the terms of this Agreement, prints, designs, ideas, sketches and other materials or Trade Secrets, shall be deemed confidential and shall be maintained by each such party and its Affiliates and their respective employees, attorneys, accountants and bankers, in strict confidentiality. The provisions of this Section 11.1 shall not apply to information that is (a) generally known to the public, (b) previously known to the recipient, or (c) properly received by the recipient outside the scope of this Agreement and from any third party not affiliated with the protected party and not under any duty to the protected party not to disclose such information. Each party agrees not to disclose, in whole or in part, any confidential information of the other party to any third party, except upon consent of the other or pursuant to, or as may be required by law, or in connection with regulatory or administrative proceedings and only then with reasonable advance notice of such disclosure to the other, and provided, (a) that each such person shall agree to be bound by the terms of this Agreement; (b) that confidential information shall be used by the party to whom disclosed, and such persons solely as provided hereunder; and that confidential information shall be revealed only to those officers, directors and employees of such party, respectively, on a need to know basis. Licensee shall take all reasonable precautions to protect the secrecy of the materials, samples, and designs constituting confidential information prior to their commercial distribution or the showing of samples for sale, and shall not sell any merchandise employing or adapted from any of said designs except under the Trademarks. THL shall take all reasonable precautions to protect the secrecy of the original designs created by Licensee for Licensed Products prior to their advertisement, commercial distribution or the showing of samples for sale. Neither THL nor Licensee may, at any time during the License Period disclose or use for any purpose, other than as contemplated by this Agreement, any revealed or otherwise acquired confidential information and data relating to the business of the other. The identity of Licensee's manufacturers, subcontractors and suppliers shall be deemed Confidential Information and THL shall not directly contract with the same in connection with the manufacture of Licensed Products for a period of one year after the expiration or termination of this Agreement, without Licensee's prior approval.

11.2 Hiring of Employees. [***]. Nothing herein shall prevent a party from (i) engaging in any general solicitations for employees or public advertising of employment opportunities not directed at employees of the other party or its Affiliates and hiring an employee or former employee of such other party or its Affiliates who it learns of through such general solicitations or public advertising; (ii) hiring any employee or former employee of such other party or its Affiliates that seeks employment without any

inducement by the hiring party; or (iii) hiring any former employee of such other party or its Affiliates whose employment was involuntarily terminated by such other party.

ARTICLE XII. TRADEMARKS AND COPYRIGHTS

12.1 Rights to the Trademarks. Licensee acknowledges the great value of the goodwill associated with the Trademarks, and acknowledges that the Trademarks and all the rights therein, and goodwill attached thereto, belong exclusively to THL. Licensee shall not, during the Term or thereafter: (a) do, or otherwise suffer to be done, any act or thing that might, in any way, adversely affect the rights of THL in and to the Trademarks or that, directly or indirectly, may reduce the value of the Trademarks or detract from their reputation; (b) prosecute an application to register the Trademarks; (c) attack THL's title or right in and to the Trademarks; (d) attack the validity of this license or the Trademarks; or (e) contest the fact that Licensee's rights under this Agreement (i) are solely those of a manufacturer and distributor, and (ii) subject to the provisions of Article 14 hereof, cease upon expiration or termination of this Agreement.

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

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

12.4 Ownership of Copyrights. Except as otherwise provided in Section 5.12, any copyrights created by or for Licensee in any sketch, design, print, package, label, tag or the like, designed and approved for use in connection with Licensed Products, are hereby assigned by Licensee to THL. Licensee is granted a license to use the same during the Term and under the conditions set forth in this Agreement. Licensee shall not, at any time, do, or otherwise suffer to be done, any act or thing that may adversely affect any rights of THL in such copyrights and shall, at THL's request, do all things reasonably required by THL to preserve and protect said rights, including the placement of appropriate notices of copyright ownership. The license to use the copyrighted materials and the duties of the Licensee hereunder are essential terms of this Agreement.

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

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

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

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

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

ARTICLE XIII. INSOLVENCY

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

13.2 Rights Personal. The license and rights granted hereunder are personal to Licensee. No assignee for the benefit of creditors, receiver, trustee in bankruptcy, sheriff or any other officer or court charged with taking over custody of Licensee's assets or business, shall have any right to continue performance of this Agreement or to exploit or in any way use the Trademarks if this Agreement is terminated pursuant to Section 13.1, except as may be required by law.

13.3 Trustee in Bankruptcy. Notwithstanding the provisions of Section 13.2 above, in the event that, pursuant to applicable bankruptcy law a trustee in bankruptcy, receiver or other comparable person, of Licensee, or Licensee, as debtor, is permitted to assume this Agreement and does so and, thereafter, desires to assign this Agreement to a third party, which assignment satisfies the requirements of the applicable law, the trustee or Licensee, as the case may be, shall notify THL. Said notice shall set forth the name and address of the proposed assignee, the proposed consideration for the assignment and all other relevant details thereof. The giving of such notice shall be deemed to constitute an offer to THL to have this license assigned to it or its designee for such consideration, or its equivalent in money, and upon such terms as are specified in the notice. THL may accept the aforesaid offer only by written notice given to the trustee or Licensee, as the case may be, within 15 days after THL's receipt of the notice. If THL fails to deliver such notice within the said 15 days, such party may complete the assignment referred to in its notice, but only if such assignment is to the entity named in said notice and for the consideration and upon the terms specified therein. Nothing contained herein shall be deemed to preclude or impair any rights that THL may have as a creditor in any bankruptcy proceeding.

13.4 Effect of THL Bankruptcy. All rights and licenses granted by THL hereunder are and shall be deemed to be rights and licenses to "intellectual property," as such term is used in and interpreted under section 365(n) of the United States Bankruptcy Code (the "Code"). Licensee shall have all rights, elections, and protections under the Code and all other applicable bankruptcy, insolvency, and similar laws with respect to this Agreement. Without limiting the generality of the foregoing, THL acknowledges and agrees that, if it or its estate becomes subject to any bankruptcy or similar proceeding, (a) subject to Licensee's rights of election under section 365(n), all rights, licenses, and privileges granted to Licensee under this Agreement will continue subject to the respective terms and conditions hereof, and will not be affected, even by THL's rejection of this Agreement, and (b) Licensee shall be entitled to a complete duplicate of, or complete access to, as appropriate, all such intellectual property and embodiments thereof which, if not already in Licensee's possession, shall be promptly delivered to Licensee or its designee, unless THL elects to and does in fact continue to perform all of its obligations hereunder.

ARTICLE XIV. EXPIRATION AND TERMINATION

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

14.2 Immediate Right of Termination of the License. If any of the following grounds for termination shall occur, THL may elect, by written notice to Licensee, to terminate this Agreement immediately:

- (a) Licensee materially breaches Section 11.1 hereof;
- (b) Licensee places, or participates in, any (i) advertising or promotional materials that have been disapproved by THL, provided THL has notified Licensee in writing of such disapproval; (ii) unapproved advertising or promotional materials that, in THL's reasonable opinion, are likely to negatively affect the value of the Trademark or the reputation of the Trademark or THL;
- (c) Licensee (i) sells Licensed Products to any customer that has been disapproved by THL, provided THL has notified Licensee in writing of such disapproval prior to such sale; (ii) makes sales in excess of the Off-Price Caps; (iii) sells [***] Licensed Products to any customer that has not been approved [***]; (iv) manufactures or sells Licensed Products that, in THL's reasonable opinion, are not in substantial conformity with and at least equal in quality to samples of such Licensed Products approved by THL provided such Licensed Products, in THL's reasonable opinion, are likely to negatively affect the value of the Trademark or the reputation of the Trademark or THL ("Materially Deficient Products") or (v) fails to remove Materially Deficient Products from the marketplace as soon as reasonably practicable after receipt of THL's notice thereof;
- (d) Licensee exhibits, displays or distributes unapproved products that bear the Trademarks which action would reasonably be expected to adversely affect any of the image, prestige, value or ownership of the Trademarks, the Licensed Products or THL;
- (e) Licensee intentionally misrepresents any financial data regarding its business under this Agreement or underpays royalties [***];
- (f) Licensee institutes for its protection, or is made a defendant, in any proceeding under bankruptcy, insolvency, reorganization or receivership law, or Licensee is placed in receivership or makes an assignment for benefit of creditors or is, or states that it is, unable to meet its debts in the regular course of business, provided, that in the case of any of the foregoing that is involuntary, such proceeding or status is not dismissed, stayed or terminated within 60 days after inception;

(g) Licensee uses the Trademark in an unauthorized or improper manner, including, without limitation, use of the Trademarks with another trademark or name in connection with the sale of Licensed Products, other than as a result of demonstrable inadvertence;

(h) Cessation by Licensee of, or the taking of steps by Licensee to cease, its business;

(i) Licensee fails to comply with Sections 16.1 or 16.3;

(j) [***]; or

(k) SPL is no longer a wholly-owned subsidiary of MGI.

14.3 Termination With Notice and Right to Cure.

14.3.1 By THL. If Licensee breaches any of its other obligations under this Agreement, THL shall have the right to terminate this Agreement upon notice to Licensee unless Licensee cures the breach within [***] days after its receipt of written notice of such breach (it being agreed that to cure a breach of Section 6.6 resulting from Licensee's sale of Licensed Products to an unapproved customer Licensee shall recall all such Licensed Products in such unapproved customer's possession and pay the fine imposed under Section 6.8 within such [***] day period). Notwithstanding the foregoing, Licensee's failure to achieve the Watch Minimum Sales or the Jewelry Minimum Sales shall only give rise to a right of termination to the extent provided for in Section 6.5 hereof.

14.3.2 [***]

14.4 Effect of Termination.

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

(b) Royalties. All royalties on sales theretofore made shall become immediately due and payable, provided, however, if this Agreement expires naturally in accordance with its terms, Licensee shall have the right to continue to make royalty payments pursuant to Article 9 hereof.

(c) Return of Labels and Other Materials. At THL's option, Licensee shall (i) promptly destroy, or (ii) convey to THL (at a price equal to Licensee's cost thereof) and free of all liens and encumbrances, all plates, engravings, silkscreens, computer tapes, computer disks, hard drives and all other computer files used by Licensee, molds, stitching patterns or the like used to make or reproduce the Trademarks in Licensee's possession or control, and all items affixed with likenesses or reproductions of the Trademarks in Licensee's possession or control whether Labels, bags, boxes, tags or otherwise. Licensee shall deliver to THL, free of charge, all sketches, designs and the like in its possession or control. THL shall have the option, exercisable upon notice to Licensee within 30 days after Termination, to negotiate the purchase of the Labels that were not supplied by THL. If such negotiations do not result in the purchase of those Labels, Licensee shall destroy those Labels under the supervision of THL, and

Licensee shall deliver to THL a certificate of destruction signed by a senior financial executive of Licensee. Notwithstanding the foregoing, Licensee shall have the right to use the Labels during any disposal Period pursuant to Section 14.4(e).

(d) Pending Orders. Except as otherwise provided below, Licensee shall be entitled for a period of [***] days after Termination, to consummate all sales of Licensed Products that were firm upon the date of Termination.

(e) Inventory/Right to Purchase. Within 10 days of the expiration or termination of the Agreement, Licensee shall deliver to THL a complete schedule of Licensee's inventory of Licensed Products (whether on hand or in transit) and of related work in progress ("Inventory") as of the close of business on the date of such expiration or termination which shall reflect the Landed Cost of each Licensed Product. THL shall have the option, exercisable by notice to Licensee, within 30 days after its receipt of such schedule, to purchase any or all of the Inventory at [***] (other than Inventory required to consummate sales of Licensed Products which were firm on the date of such expiration or termination). Percentage Royalties shall not be payable with respect to the purchase of the Inventory by THL. If THL sends such notice, THL may collect the Inventory it elects to purchase within 90 days after THL's notice. THL will pay for the Inventory upon collection. If THL does not send such notice, Licensee may dispose of its Inventory for a period of [***] days (the "Disposal Period"), subject to Sections 14.4 (f) and (g); provided, however, that such disposition shall continue to be subject to Licensee's obligations hereunder, including, without limitation, with respect to the payment of royalties and the approval of customers. Licensee shall have the right, in connection with such disposal, to use the Labels during the Disposal Period. At the end of the Disposal Period, or if none, upon such termination, any Licensed Products remaining in Licensee's possession or control shall, at the request of THL, be destroyed. THL shall have the right at any time to conduct a physical inventory of the Licensed Products then in Licensee's possession or control.

(f) Non-Conforming Products. Under no circumstances shall Licensee be permitted to (i) sell Licensed Products that have not been approved in accordance with Section 6.3 above or are in any way non-conforming as to style or quality; or (ii) advertise or promote the Trademarks during the Disposal Period without THL's prior approval. The sell-off of Licensed Products shall be subject to all of Licensee's obligations hereunder, including, but not limited to, royalty payment obligations.

(g) No Right to Sell Off. Notwithstanding the foregoing rights set forth in subsections (d) and (f) above, unless otherwise agreed to in writing by THL, there shall be no right to sell off in the event that the Agreement is terminated due to any breach of this Agreement by Licensee that, in THL's reasonable opinion, is likely to negatively affect the value or reputation of the Trademarks.

(h) Remaining Products. At the end of the Disposal Period, any Licensed Products remaining in Licensee's possession shall be destroyed under the supervision of THL.

14.4.1 Partial Termination. Upon the termination of the License with respect to Watch Products or Jewelry Products or with respect to a specific jurisdiction, all of the rights of Licensee under this Agreement with respect to such category or jurisdiction, as the case may be, shall forthwith terminate and immediately revert to THL, all royalties on sales of the applicable Products or within the applicable jurisdiction shall become immediately due and payable, it being acknowledged that such partial termination of the License shall not affect any obligation of Licensee to make payments

hereunder accruing prior to such termination; Licensee shall forthwith discontinue all use of the Trademarks on the affected category of Product, or all use of the Trademarks in the affected jurisdiction, as the case may be, except that Licensee may during the Disposal Period commencing as of the date of such termination and ending [***] days thereafter consummate all sales of the affected Products or within the affected jurisdiction which were firm on the date of such termination; provided, however, that any advertising used during the Disposal Period shall be subject to THL's prior written approval and such disposition of the Licensed Products shall continue to be subject to Licensee's obligations hereunder, including, but not limited to, payments to be made to THL. Without limiting the generality of the foregoing, Licensee acknowledges that sales during the Disposal Period are on a non-exclusive basis. Subsequent to the Disposal Period, Licensee shall no longer use the affected Trademark, any variation, imitation or simulation thereof, or any trademark similar thereto on the terminated category of Product, or in the affected jurisdiction, as the case may be.

14.4.2 Continued Compliance with Warranty. Notwithstanding the expiration or termination of this Agreement for any reason, Licensee will continue to comply with the terms of the product warranty supplied with Watch Products and will maintain operations and a supply of components to repair, replace or otherwise comply with the terms of such warranties, for a two year period following the date of such expiration or termination.

Survival. All terms of this Agreement shall govern the Disposal Period and all terms of this Agreement which by their nature are intended to survive the expiration or termination of this Agreement shall survive such expiration or termination, including, without limitation

: Article XI and XV in their entireties, and Sections 6.11, 9.4, 12.1, 14.4 (including 14.4.1) and 17.15. For the avoidance of doubt, the failure to identify a provision of this Agreement in the preceding sentence shall not be construed as evidence that the Parties intended such provision not survive termination or rescission of this Agreement.

14.5 Freedom to License . Starting [***] months prior to the scheduled expiration of this Agreement, or in the event of (i) the receipt of notice from the Licensee that it does not intend to renew the License Agreement in its entirety or with respect to a specific category of Product or jurisdiction; (ii) default by Licensee that THL reasonably believes could lead to a termination of the License in whole or in part; (iii) termination of the License in its entirety or with respect to a specific category of Product, or jurisdiction; or (iv) the receipt by THL of a notice from Licensee requesting the termination of the License in its entirety or with respect to a specific category of Product or jurisdiction, THL shall be free to use, or license to others the right to use, the Trademark in connection with the manufacture, sale, distribution and promotion of (x) all products in the Territory; (y) all products in the affected jurisdiction or (z) the affected category of product in the Territory, as the case may be; provided, however, that no shipments of Products under the Trademark produced by or on behalf of THL or pursuant to any such new license will be permitted prior to the termination or expiration of the License with respect to the applicable category of Product or jurisdiction.

14.6 Compensation. If THL terminates this Agreement pursuant to Section 14 or with respect to Watch Products or Jewelry Products pursuant to Sections 6.5.1, 6.5.2, 8.1.1 or 8.1.2, THL shall have the right to receive, and Licensee shall immediately pay to THL, as liquidated damages, solely with respect to Licensee's royalty obligations hereunder and not as a penalty, and without limiting THL's other remedies available at law or pursuant to this Agreement for non-royalty obligations, a sum equal to [***].

The parties hereby agree that the payment set forth herein is reasonable in light of the anticipated or actual harm caused by Licensee's breach, the difficulties of proof of loss and the inconvenience or infeasibility of otherwise obtaining an adequate remedy, but shall not cure any default and shall not preclude THL from enforcing the provisions of this Agreement by pursuing any action or remedy as allowed hereunder or by law, all of which shall be cumulative.

ARTICLE XV. INDEMNIFICATION AND INSURANCE

15.1

Indemnification by Licensee

. Each Licensee does hereby jointly and severally indemnify and hold harmless THL and its respective Affiliates, including, without limitation, their current, future and former respective directors, officers, employees, agents, trustees, and representatives (each, an "Indemnified Party") from and against any and all losses, liabilities, damages and expenses (including reasonable attorneys' fees and expenses), whether incurred in any action or proceeding between the parties hereto, or otherwise, which an Indemnified Party may incur or be obligated to pay in any action, claim or proceeding, for or by reason of any acts, whether of omission or commission, that may be committed by Licensee (which for purposes of this Section 9.1, includes its Affiliates) or any of their servants, agents or employees in connection with Licensee's performance of this Agreement, including but not limited to:

- (a) any alleged defect in any Licensed Product, regardless of whether the action is based upon negligence or strict liability, and regardless of whether the alleged negligence is characterized as "passive" or "active";
- (b) the manufacture, labeling, sale, distribution or advertisement of any Licensed Product by Licensee;
- (c) any violation of any warranty, representation or agreement made by Licensee pertaining to a Licensed Product; or
- (d) the claim of any broker, finder or agent in connection with the making of this Agreement or any transactions contemplated by this Agreement; or
- (e) the use of any secondary mark, slogans, phrases, logos or other indicia in connection with the Trademarks or the Licensed Products without the prior approval of THL's legal and licensing departments.

THL shall give Licensee prompt written notice of any such claim or action and thereupon Licensee shall undertake and conduct the defense of any suit so brought; provided, however, that the failure to notify Licensee promptly shall not relieve Licensee of its obligation hereunder, except to the extent (if any) that Licensee is actually prejudiced thereby. In the event an appropriate action is not taken by Licensee within 30 days of its receipt of notice from THL, THL shall have the right to defend such claim or action in its own name, but no settlement or compromise of any such claim or action may be made without the prior written consent of Licensee, such consent not to be unreasonably withheld or delayed. In either case, THL and Licensee shall keep each other fully advised of all developments and shall cooperate fully with each other and in all respects in connection with any such defense. Such indemnification shall be deemed to apply solely to the amount of the judgment, if any, against THL and reasonable sums paid by THL in

connection with its defense, and shall not apply to any consequential damages suffered by THL which are not included in the aforementioned judgment. The provisions of this Section and Licensee's obligations hereunder shall survive any termination of the License or rescission of this Agreement.

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

15.3. Indemnification by THL. THL does hereby indemnify and hold harmless Licensee and its Affiliates, and their respective directors, shareholders, employees and agents from and against any and all losses, liabilities, damages and expenses (including reasonable attorneys' fees, costs and expenses) whether incurred in any action or proceeding between the parties hereto, or otherwise, which any of them may incur or for which it may become liable or compelled to pay in any action or claim alleging: (i) THL's breach of any representation or warranty in Section 11.1; (ii) that Licensee's use of the Trademarks in accordance with the terms of this Agreement violates the rights of a third party; (iii) that use in Licensed Products of a special design or special fabric submitted by THL and required by THL to be used by Licensee without any change thereto and used in accordance with the provisions hereof, violates the third-party ownership or other patent or other copyright of a third party; or (iv) that any advertising or advertising materials created by THL and used in accordance with the provisions hereof and within any limitation to usage applicable thereto, violates the copyright of a third party, or limitation or usage rights as to any model depicted therein. Licensee will promptly notify THL of any action or claim brought to its attention; provided, however, that the failure to promptly notify THL shall not relieve THL of its obligation hereunder, except to the extent (if any) that THL actually is prejudiced thereby. If, however, there is a dispute between THL and Licensee as to whether the suit was brought as a result of Licensee's failure to use the Trademarks in accordance with the terms of this Agreement, Licensee may be required to conduct such defense unless and until it is determined that no such misuse of the Trademarks occurred. Subject to the preceding sentence, in the event an appropriate action is not taken by THL within 30 days of its receipt of notice from Licensee, Licensee shall have the right to defend such claim or action in its own name, but no settlement or compromise of any such claim or action may be made without the prior written approval of THL. In either case, THL and Licensee shall keep each other fully advised of all developments and shall cooperate fully with each other and in all respects in connection with any such defense. Such indemnification shall be deemed to apply solely to the amount of the judgment, if any, against Licensee, and sums paid by Licensee in connection with its defense, and shall not apply to any consequential damages suffered by Licensee which are not included in the aforementioned judgment. Such indemnification shall not apply to any damages sustained by Licensee by reason of such claimed infringement other than those specified above. The provisions of this Section 9.3 and the obligations of THL set forth herein shall survive the expiration or other termination of this Agreement.

15.4 Insurance.

15.4.1 Requirement. Without limiting Licensee's liability pursuant to the indemnity provisions of this Agreement, Licensee shall maintain commercial general liability insurance (including umbrella insurance) in the amount of at least [***] (combined single limit per occurrence, and in the aggregate) with a broad form property damage liability endorsement. This insurance shall include

15.4.2 Theft and Destruction Coverage. Licensee shall purchase insurance against theft and destruction of the Licensed Products which shall (i) be written on an “all risk” basis, including, without limitation, crime/employee dishonesty, flood and earthquake coverage; (ii) provide that Licensee shall be reimbursed for loss in an amount equal to the manufacturer’s selling price for the Products (either by a selling price endorsement or business interruption insurance); (iii) be in effect while goods are on premises owned, rented or controlled by Licensee and while in transit or storage; and (iv) include a brand and label clause stating that the insurer will pay the cost of removing THL’s name from damaged merchandise and relabeling goods.

15.4.4 Approved Carrier/Policy Changes. All insurance shall be obtained from an insurance company rated by A.M. Best as [***] or better. Licensee shall give at least 30 days' prior written notice to THL of the cancellation or any modification of such insurance policy that would affect THL's status or benefits thereunder. This insurance may be obtained for THL by Licensee in conjunction with a policy which covers products other than the Licensed Products.

15.4.6 Territory. The insurance set forth in this Section must cover the entire Territory.

16.1 Compliance with Laws. Licensee shall comply with all laws, rules, regulations and requirements of any governmental body which may be applicable to the operations of Licensee contemplated hereby, including, without limitation, as they relate to the manufacture, distribution, sale or promotion of Licensed Products, notwithstanding the fact that THL may have approved such item or conduct. Licensee may not conduct business that in any way relates to this License Agreement or authorize third parties to conduct such business with any entity or individual (i) who is a Prohibited Entity or Individual; (ii) that would otherwise cause a violation of United States law and regulations; or (iii) that is invested in the cotton sector in Uzbekistan or Turkmenistan or using cotton sourced from Uzbekistan or Turkmenistan.

Jewelry GMA	7.1.2	Watch Minimum Sales	6.5.1
Jewelry Minimum Sales	6.5.2	Watch Products	6.5.1
Jewelry Products	6.5.2		
Labels	5.8		
Latin America	3.1		
License	1.1		
License Period	2.2		
Licensed Products	Recital		
Licensed Sites	3.1		
Licensed Stores	3.1		
Licensee	Preamble		
Licensing Forecast	3.1		
Materially Deficient Products	14.2(c)		
MGI	Preamble		
Movado Outlets	1.1		
Net Sales	6.4		
Net E-Commerce Sales	6.4		
Net Wholesale Sales	6.4		
Non-Conforming Products	6.4		
Notice of Termination	8.4		
Off-Price Accounts	6.6.2		
Off-Price Caps	6.6.2		
Pan Pacific	3.1		
Penalty	6.8		
Penalty Period	6.8		
Penalty Royalty	6.6.3		
Percentage Royalties	8.2		
Person	11.4		
Products	Recital		
Program Sales	6.6.2		
Prohibited Entity or Individual	5.15.1		
Party(ies)	Preamble		
PVH	Recital		
Quality	5.2		
Renewal License Period	2.2		
Seasonal Collection	5.1		
Seconds	6.6.2(a)		
Seconds Cap	6.6.2		
Shortfall	7.3		
SPL	Preamble		
Standards	5.14		
Summary Report	7.2.2		
Territory	Recital		
TH Outlets	6.12.13		
TH Sites	3.1		
TH Stores	3.1		
Third Party Licensee	1.1.3		
Third-Party Manufacturing Agreement	5.15.4		
THL	Preamble		
Trademarks	Recital		
Transfers	14.2(j)		
Unapproved and Prohibited Sales	6.8		
Watch GMR	8.1.1		
Watch GMA	7.1.1		

Notices. Any notice, request for approval, or communication required or arising out of or under this Agreement shall be effective only on the day after the notice, service or communication is sent by express mail or next business day courier service (e.g., FedEx Courier); or five days after the date of mailing by first class registered mail; provided, however, that notices/responses required under this Agreement in connection with approvals (e.g., as required under Article V), may be satisfied by an e-mail communication, which delivery shall be effective upon confirmation of receipt and acceptance of such notice/response, so long as such confirmation is not an automatic bounce back message received by the sender. All notices shall be sent to the Parties at the addresses listed below or to such other persons and addresses as may be designated in writing by the Parties to each other. The date a notice shall be deemed to be transmitted, sent by overnight air courier or mailed shall be the date at the notifying Party's place of business at the time of transmission, sending or mailing provided that the notice is placed into the hands of the express company or USPS on such date and a receipt is issued therefor.

To THL:

All correspondence regarding royalty statements, financial statements, compliance documents, etc. should now be mailed to:

Tommy Hilfiger Licensing
1001 Frontier
Road
Bridgewater, New Jersey 08807

All Other Notices to THL:

TOMMY HILFIGER LICENSING, LLC
285 Madison Avenue
New York, NY 10017
Attn: President, Licensing
Telephone: (212) 548-1341
Facsimile: (646) 304-2834

With a copy to:

TOMMY HILFIGER U.S.A., INC.
285 Madison Avenue
New York, New York 10017
Attention: Legal Department
Telephone: (212) 548-1605
Facsimile: (212) 292-9616

To LICENSEE:

MOVADO GROUP, INC.
650 From Road, Ste. 375
Paramus, NJ 07652-3556
Attention: President – Tommy Hilfiger Watches
Telephone: (201) 267-8000

With a copy to:

MOVADO GROUP, INC.
650 From Road, Ste. 375

17.4 No Sublicense Agreement Without Consent. Licensee is prohibited from granting any sublicenses under this Agreement with respect to Licensed Products under this Agreement, without the prior written consent of THL, which consent may be withheld by THL in its sole and absolute discretion.

17.6 No Agency. Neither party shall represent itself as the agent or legal representative of the other party or such other party's Affiliates for any purpose whatsoever and shall have no right to create or assume any obligation of any kind, express or implied, for or on behalf of them in any way whatsoever.

17.7 Suspension of Obligations. If Licensee shall be prevented from performing any of its obligations because of governmental regulation or order, or by strike or war, declared or undeclared, or other calamities such as fire, earthquake, or similar acts

of America located in the City of New York, and, by execution and delivery of this Agreement, each party hereby accepts for itself and in respect to its property, generally and unconditionally, the exclusive jurisdiction of the aforesaid courts. Each party hereby irrevocably and unconditionally waives any right to demand a jury trial and any claim for special, consequential or punitive damages and any objection, including, without limitation, any objection to the laying of venue or based on the grounds of *forum non conveniens*, which it may now or hereafter have to the bringing or maintaining of any such action or proceeding in such respective jurisdictions. Each party irrevocably and unconditionally consents to the service of process of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the other party at its address for notices provided in Section 17.2, such service to become effective 30 days after such mailing.

17.16 Construction. This Agreement shall be construed without regard to any presumption or other rule requiring construction against the drafting party.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.
TOMMY HILFIGER LICENSING LLC

Date: March 20, 2020
By: _____ /s/ Mark Fischer
Name: Mark Fischer
Title: Executive Vice President

MOVADO GROUP, INC.

Date: March 20, 2020
By: _____ /s/ Mitchell Sussis
Name: Mitchell Sussis
Title: Senior Vice President

SWISSAM PRODUCTS LIMITED

Date: March 20, 2020
By: _____ /s/ Mitchell Sussis
Name: Mitchell Sussis
Title: Director

CERTIFICATIONS

I, Efraim Grinberg, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Movado Group, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 9, 2020

/s/ Efraim Grinberg

Efraim Grinberg

Chairman of the Board of Directors and Chief
Executive Officer

CERTIFICATIONS

I, Sallie A. DeMarsilis, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Movado Group, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 9, 2020

/s/ Sallie A. DeMarsilis

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

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

In connection with the quarterly report on Form 10-Q of Movado Group, Inc. (the "Company") for the quarter ended April 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report") the undersigned hereby certifies, in the capacity indicated below and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: June 9, 2020

/s/ Efraim Grinberg

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

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

In connection with the quarterly report on Form 10-Q of Movado Group, Inc. (the “Company”) for the quarter ended April 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) the undersigned hereby certifies, in the capacity indicated below and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: June 9, 2020

/s/ Sallie A. DeMarsilis

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