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FORM 10-K405

CLAIBORNE LIZ INC - liz

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Annual report. The Regulation S-K Item 405 box on the cover page is checked

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended January 1, 2000

Commission File Number 0-9831

LIZ CLAIBORNE, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-2842791 (I.R.S. Employer Identification Number)
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1441 Broadway, New York, New York (Address of principal executive offices)	10018 (Zip Code)
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Registrant's telephone number, including area code: 212-354-4900

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

Title of class	Name of each exchange on which registered
Common Stock, par value \$1 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Based upon the closing sale price on the New York Stock Exchange composite tape on March 17, 2000, the aggregate market value of the registrant's Common Stock, par value \$1 per share, held by non-affiliates of the registrant on such date was approximately \$2,552,193,002.

Number of shares of the registrant's Common Stock, par value \$1 per share, outstanding as of March 17, 2000: 55,174,526 shares.

Documents Incorporated by Reference:

Registrant's Proxy Statement relating to its Annual Meeting of Stockholders to be held on May 11, 2000 - Part III.

PART I

ITEM 1. BUSINESS.

OVERVIEW

Liz Claiborne, Inc. designs and markets an extensive range of branded women's and men's fashion apparel and accessories, appropriate for occasions ranging from casual to dressy. The Company also markets fragrances for women and men. The Company's brands include CLAIBORNE, CRAZY HORSE, CURVE, DANA BUCHMAN, ELISABETH, EMMA JAMES, FIRST ISSUE, LAUNDRY BY SHELLI SEGAL, LIZ CLAIBORNE, LUCKY BRAND, RUSS, SIGRID OLSEN and VILLAGER. In addition, the Company holds exclusive licenses to design, produce, market and sell DKNY(R) JEANS and DKNY(R) ACTIVE men's, junior's and women's sportswear, jeanswear and activewear in the Western Hemisphere, women's apparel products under the KENNETH COLE NEW YORK, UNLISTED.COM and REACTION KENNETH COLE trademarks in North America and certain countries in Central and South America and CANDIE'S fragrance, cosmetic and beauty products worldwide.

Products are manufactured to the Company's specifications in the United States and abroad and are marketed through leading department and specialty stores, mass merchandisers, national chains and other channels in the United States, Canada, Europe, Asia, and Central and South America. The Company believes that it is the largest "better" women's branded apparel company in the United States. Generally, the Company's sportswear products are conceived and marketed as "designer" items, but are priced in the "better" apparel range. The Company also offers products at "bridge" and "moderate" price points.

At March 17, 2000, the Company's order book reflected unfilled customer orders for approximately \$785 million of merchandise, as compared to approximately \$862 million at February 26, 1999. Substantially all such orders will be filled within the 2000 fiscal year. Order book data at any given date is materially affected by the timing of recording orders and of shipments and seasonal factors. Accordingly, order book data should not be taken as indicative of eventual actual shipments or net sales, or as providing meaningful period-to-period comparisons.

As used herein, the term "Company" refers to Liz Claiborne, Inc., a Delaware corporation, together with its consolidated subsidiaries.

NARRATIVE DESCRIPTION OF BUSINESS

In order to reach a broad spectrum of consumers, the Company offers an array of products under its portfolio of brands through a variety of distribution channels at a broad range of price points. In its product offerings the Company seeks to provide versatility to consumers in terms of individual items, price points and key item classifications.

The Company operates the following business segments: Wholesale Apparel, Wholesale Non-Apparel and Retail. In addition, the Company licenses to third parties the right to manufacture, market and sell at wholesale selected products bearing the Company's trademarks. Wholesale Apparel consists of businesses that design, manufacture and market to the Company's wholesale customers women's and men's apparel under various trademarks owned or licensed by the Company. Wholesale Non-Apparel consists of businesses that design, manufacture and market to the Company's wholesale customers accessories, cosmetics and jewelry products under various trademarks owned or licensed by the Company. Retail consists of businesses that sell merchandise designed and manufactured by the Wholesale Apparel and Wholesale Non-Apparel segments to the public through Company-operated specialty retail and outlet stores, as well as leased departments.

Wholesale Apparel. The Company offers a variety of women's and men's apparel products through its apparel business. Substantially all products in each sportswear collection are sold at retail as separate items.

The Casual business offers casual sportswear in misses and petite sizes under three of the Company's trademarks: LIZSPORT, which offers all-American sportswear, including twill products, for less formal work settings and casual occasions; LIZWEAR, which offers denim and denim-related sportswear, including twills and fashion coordinates; and LIZ & CO., which offers versatile casual knitwear.

The ELISABETH business offers classic careerwear, weekend casual and wardrobe basics in large sizes (including petite proportions) under the Company's ELISABETH and ELISABETH-LIZ & CO. trademarks. In March 1999, the Company introduced a line of large-sized denim and denim-related sportswear under the ELISABETH-INDIGO trademark. Shipping commenced in the second quarter of 1999.

The CLAIBORNE business offers men's business-casual wear, sportswear and dress shirts under the CLAIBORNE

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trademark.

The Career (COLLECTION) business offers professional careerwear with desk-to-dinner versatility in misses and petite sizes under the LIZ CLAIBORNE trademark.

The DANA BUCHMAN business offers collections of products for the women's "bridge" market (the market between the "better" and "designer" markets) with elegant styling in distinctive fabrics, in misses, large and petite sizes under the Company's DANA BUCHMAN trademark and a line of "upscale" specialty store products under the DANA BUCHMAN LUXE trademark. In September 1999, the Company introduced a line of fashion forward specialty store casual products under the DANA BUCHMAN INTUITION trademark, with shipping commencing in February 2000.

The Special Markets business offers women's updated career and casual clothing at more moderate prices under five Company trademarks: EMMA JAMES (related separates for the casual workplace, sold in department stores nationally), VILLAGER (relaxed separates for soft career and weekend dressing, sold in regional department stores), FIRST ISSUE (relaxed career and everyday wear, sold exclusively in Sears department stores), RUSS (casual separates, sold in Wal-Mart stores), and CRAZY HORSE (casual separates, sold exclusively at J.C. Penney stores). See "Competition; Certain Risks" below.

The Company holds the exclusive license to design, produce, market and sell men's, junior's and women's sportswear, jeanswear and activewear under the DKNY(R) JEANS and DKNY(R) ACTIVE trademarks and logos for sale in the Western Hemisphere. DKNY(R) JEANS products commenced shipping in the first quarter of 1998; DKNY(R) ACTIVE products commenced shipping in the first quarter of 1999. In October 1999, the Company consummated an additional exclusive license agreement covering a line of women's career and casual sportswear for the "better" market, under a trademark, to be determined, which is expected to be a derivative of the DKNY(R) trademark. Shipping of this line is anticipated to commence in early 2001.

In October 1999, the Company increased its equity interest in Segrets, Inc. ("Segrets") to 87.5%, from the 84.5% acquired in February 1999, by purchasing stock held by a former Segrets stockholder. Segrets offers a range of women's sportswear in misses, large and petite sizes under several trademarks, including SIGRID OLSEN SPORT, SIGRID OLSEN COLLECTION, SO BLUE BY SIGRID OLSEN, SIGRID OLSEN WOMAN and SIGRID OLSEN PETITES.

Each of the above businesses presented four seasonal collections during 1999, except DANA BUCHMAN which presented three seasonal collections.

In June 1999, the Company completed the purchase of 85% of the equity interest of Lucky Brand Dungarees, Inc. ("Lucky"). Lucky offers women's and men's denim-based sportswear under the LUCKY BRAND, HOT PINK and TRIPLE XXX brand names.

In August 1999, the Company consummated a license agreement with Kenneth Cole Productions, Inc. to manufacture, design, market and distribute, in North America and certain countries in Central America and South America, "better" women's contemporary sportswear under the KENNETH COLE NEW YORK label, with shipping anticipated to commence in the third quarter of 2000. The license includes the right to manufacture, design, market and distribute a junior-sized apparel line under the UNLISTED.COM label and a women's status denim and sportswear line under the REACTION KENNETH COLE label, each of which is anticipated to be launched in 2001.

In November 1999, the Company acquired all of the equity interest of Podell Industries, Inc., which owns all of the assets comprising Laundry ("Laundry"). Laundry offers contemporary women's sportswear and dresses under the LAUNDRY BY SHELLI SEGAL label, primarily to select department and specialty stores. In addition, Laundry offers a smaller collection of products under the SHELLI SEGAL label to a limited number of doors.

For further information regarding the Segrets, Lucky, and Laundry businesses, see Note 2 of Notes to Consolidated Financial Statements. For further information regarding the DKNY and Kenneth Cole arrangements, see Note 3 of Notes to Consolidated Financial Statements.

In February 2000, the Company licensed the Liz Claiborne and Elisabeth dress businesses to Leslie Fay Marketing, Inc., a subsidiary of the Leslie Fay Company. The Company will continue to produce dresses as part of the collection, LIZSPORT, LIZWEAR, LIZ & CO. and ELISABETH sportswear lines. See Note 19 of Notes to Consolidated Financial Statements.

Wholesale Non-Apparel. The Company offers a wide variety of accessory products through its handbag/small leather goods, fashion accessories and jewelry businesses, primarily under the LIZ CLAIBORNE trademark. These offerings mirror major fashion trends and are intended to complement many of the Company's other product lines. The Company phased out its DANA BUCHMAN accessories line in 1999.

The Company's cosmetics business offers fragrance and bath and body-care products under the Company's LIZ CLAIBORNE, REALITIES, VIVID, CLAIBORNE FOR MEN, CLAIBORNE SPORT, CURVE (for women and men), and LIZSPORT trademarks. The Company holds the exclusive license to manufacture, market, distribute and sell worldwide a collection of CANDIE'S fragrances, cosmetics and beauty products; shipping of CANDIES products commenced in the third quarter of 1999.

Retail. The Company operates specialty retail stores located throughout the United States, which carry solely Company products. At March 17, 2000, the Company operated a total of 99 retail stores: 33 LIZ CLAIBORNE stores, 44 ELISABETH large-size apparel stores, 2 CLAIBORNE men's stores, 5 Dana Buchman stores, 2 DKNY(R) JEANS stores, 12 LUCKY BRAND DUNGAREES stores, and one LAUNDRY BY SHELLI SEGAL store. The LIZ CLAIBORNE flagship store, an approximately 17,000 square foot facility, is located on Fifth Avenue in New York City. The other stores range in size from 1,300 to 12,000 square feet. During 1999, the Company closed a number of underperforming specialty retail stores. See Note 10 of Notes to Consolidated Financial Statements.

At March 17, 2000, the Company operated 144 outlet stores in the United States, virtually all of which are located in "outlet centers" comprised primarily of manufacturer-operated stores. In Western Europe, the Company's sales are made primarily through leased departments, or concessions.

Licensing. The Company has sixteen license arrangements pursuant to which third party licensees produce merchandise under Company trademarks in accordance with designs furnished or approved by the Company, the present terms of which (not including renewal terms) expire at various dates through 2010. Current licenses cover women's career, casual and sport shoes; dresses; home furnishing products; women's and men's outerwear; women's swimwear and related merchandise; women's intimate apparel; women's and men's ophthalmic frames for prescription eyewear; women's and men's sunglasses and readers; men's tailored clothing; men's accessories; men's formalwear and accessories; men's and boys' neckwear; tabletop products; boys' apparel; children's apparel; and women's sleepwear apparel. Each of the licenses provides for the payment to the Company of a percentage of the licensee's sales of the licensed products against a guaranteed minimum royalty which generally increases over the term of the agreement.

SALES AND MARKETING

The Company's wholesale sales are made primarily to department store chains and specialty store customers throughout the United States. Retail sales are made through the Company's own retail stores and outlet stores, as well as to international customers, military exchanges and other outlets.

At 1999 year-end, Company products were being sold in over 70 markets outside the United States. In Canada, the Company operates a wholesale business which sells primarily to department store chains and specialty stores. During 1999, the Company continued its LIZ CLAIBORNE, DANA BUCHMAN, EMMA JAMES and DKNY(R) JEANS product distribution, and further expanded the distribution of VILLAGER product, in Canada. The Company's sales in Western Europe are conducted primarily through leased departments, or concessions, and are concentrated in the United Kingdom and Spain, with additional concessions in Denmark, Belgium, Ireland and France.

In other international markets, the Company operates principally through retail store licenses with third parties and dedicated department store shops. The Company has a joint venture with Jusco Co. Ltd. to open and operate free-standing stores and department store shop-in-shops in Japan under the LIZ CLAIBORNE and DANA BUCHMAN marks. Two Liz Claiborne stores opened in Japan in the fourth quarter of 1999. Under a separate arrangement, Jusco Co. Ltd. will manufacture customized EMMA JAMES branded apparel for sale in Japan and will open and operate department store shop-in-shops under the EMMA JAMES trademark. At year-end 1999, international retail operations were comprised of 109 licensed stores and dedicated department store shop-in-shops in 27 countries.

Approximately 84% of 1999 sales were made to the Company's 100 largest customers. Except for Dillard's Department Stores, Inc., which accounted for approximately 15% of 1999 and 1998 sales, no single customer accounted for more than 6% of 1999 or 1998 sales. However, certain of the Company's customers are under common ownership; when considered together as a group under common ownership, sales to the eight department store customers which were owned at year-end 1999 by The May Department Stores Company accounted for approximately 16% of 1999 and 18% of 1998 sales, and sales to the eight department store customers which were owned at year-end 1999 by Federated Department Stores, Inc.

accounted for approximately 17% of 1999 and 1998 sales. See Note 8 of Notes to Consolidated Financial Statements. Many major department store groups make centralized buying decisions; accordingly, any material change in the Company's relationship with any such group could have a material adverse effect on the Company's operations. The Company expects that its largest customers will continue to account for a significant percentage of its sales. Sales to the Company's department and specialty store customers are made primarily through the Company's New York City showrooms.

Orders from the Company's customers generally precede the related shipping periods by several months. The Company's largest customers discuss with the Company retail trends and their plans regarding their anticipated levels of total purchases of Company products for future seasons. These discussions are intended to assist the Company in planning the production and timely delivery of its products. The Company continually monitors retail sales in order to directly assess consumer response to its products.

The Company continues to implement in-stock reorder programs in several divisions to enable customers to reorder certain items through electronic means for quick delivery. See "Manufacturing" below. In January 1999, the Company discontinued LIZRIM, an internal inventory replenishment system used by a number of retail customers; former LIZRIM customers currently participate in the Company's in-stock reorder programs through their own internal replenishment systems.

During 1999, the Company continued to expand its in-store sales, marketing and merchandising programs designed to encourage multiple item, regular price sales, build one-on-one relationships with consumers and maintain the Company's merchandise presentation standards. The LIZEDGE program services the Company's LIZ CLAIBORNE and ELISABETH apparel brands by training sales associates on suggested selling, product, merchandise presentation and client development strategies. The Company's men's, DANA BUCHMAN, DKNY(R) JEANS, Laundry and accessories businesses have service and merchandising programs similar to LIZEDGE.

In 1999, the Company further expanded its program designed to enhance the presentation of the Company's products on retail selling floors generally through the use of proprietary fixturing, merchandise presentations and in-store graphics. At year-end 1999, over 1,400 LIZVIEW shops were installed in more than 800 stores, representing over 1,800,000 square feet of upgraded selling space for LIZ CLAIBORNE brands. In addition, at year-end 1999, approximately 400 accessories, 400 CLAIBORNE, 13 DANA BUCHMAN, 70 EMMA JAMES and 800 DKNY(R) JEANS shops were installed in department stores. Furthermore, at year-end 1999, approximately 1,100 CRAZY HORSE shops were installed in JC Penney stores and approximately 175 FIRST ISSUE shops were installed in SEARS stores. In 2000, the Company plans to install, in the aggregate, approximately 3,000 additional in-store shops. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Position, Capital Resources and Liquidity."

The Company spent approximately \$40 million on national advertising in 1999; current plans call for 2000 national advertising expenditures of a comparable amount. This compares with approximately \$32 million spent in 1998. In addition, the Company maintains cooperative advertising programs under which it generally shares the costs of each customer's advertising and promotional expenditures, up to a stated percentage of the customer's purchases. The Company incurred costs under these cooperative advertising programs of approximately \$64 million in 1999, compared with \$57 million in 1998.

The Company maintains a consumer website (www.lizclaiborne.com) which provides information on LIZ CLAIBORNE and ELISABETH branded apparel and accessories products. In addition, the Company maintains a consumer website (www.luckybrandjeans.com) which provides information on LUCKY BRAND branded apparel and offers a selection of LUCKY BRAND apparel for sale directly to consumers.

MANUFACTURING

The Company does not own any product manufacturing facilities; all of its products are manufactured in accordance with its specifications through arrangements with independent suppliers.

A very substantial portion of the Company's sales is represented by products produced abroad, mainly in the Far East, the Caribbean and Central America. The Company also sources in the United States and other regions. The Company does not itself own quota and, therefore, must obtain quota from its suppliers and vendors. During 1999, the Company's products were manufactured by several hundred suppliers. The Company's products are currently manufactured in approximately 35 different countries, including China, Saipan, the Dominican Republic, Taiwan, Sri Lanka, the United States and South Korea. The Company continually seeks additional suppliers throughout the world for its sourcing needs. The Company's largest supplier of finished products manufactured less than 6% of the Company's purchases of finished products during 1999. Approximately 35% of the Company's 1999 purchases of finished products, as compared to 30% of the Company's 1998 and 1997 purchases, were manufactured by its ten largest suppliers. The Company expects that the percentage of production

represented by its largest suppliers will continue to increase in light of the Company's ongoing worldwide factory certification initiative, under which the Company is planning to allocate even larger portions of its production requirements to suppliers which appear to have superior capacity, quality (of product and operations) and financial resources. The Company's purchases from its suppliers are affected through individual purchase orders specifying the price and quantity of the items to be produced. The Company does not have any long-term, formal arrangements with any of the suppliers which manufacture its products.

The Company believes that it is the largest customer of many of its manufacturing suppliers and considers its relations with such suppliers to be satisfactory. Most of the Company's fabrics, trimmings and other materials are obtained in bulk from various foreign and domestic suppliers. Where the Company purchases completed product "packages" from its contractors, the contractor is responsible to purchase all necessary raw materials and other product components. Inasmuch as the Company intends to continue to move towards purchasing an increasing portion of its products as "packages," the Company continues its development of a group of "approved suppliers" to supply raw materials and other product components to its contractors for use in "packages"; the Company anticipates continuing the practice of purchasing a substantial portion of its products as "packages" in 2000. During 1999, the raw materials used in Company products were obtained from several hundred suppliers, located primarily in the United States, Japan, Taiwan, South Korea, China, Italy and Ireland. Approximately 29% of the Company's raw materials during 1999 and 33% during 1998 were obtained from its five largest raw material suppliers, with no single raw material supplier accounting for more than 9% of 1999 raw material purchases. The Company does not have any long-term, formal arrangements with any supplier of raw materials. To date, the Company has experienced little difficulty in satisfying its raw material requirements and considers its sources of supply adequate.

The Company operates under substantial time constraints in producing each of its collections. See "Sales and Marketing." In order to deliver, in a timely manner, merchandise which reflects current tastes, the Company attempts to schedule a substantial portion of its materials and manufacturing commitments relatively late in the production cycle, thereby favoring suppliers able to make quick adjustments in response to changing production needs. However, in order to secure necessary materials and manufacturing facilities, the Company must make substantial advance commitments, often as much as seven months prior to the receipt of firm orders from customers for the items to be produced. The Company continues to seek to reduce the time required to move products from design to the customer.

If the Company should misjudge its ability to sell its products, it could be faced with substantial outstanding fabric and/or manufacturing commitments, resulting in excess inventories. See "Competition; Certain Risks" below.

The Company's arrangements with foreign suppliers are subject to the risks of doing business abroad, including currency fluctuations and revaluations, restrictions on the transfer of funds and, in certain parts of the world, political, economic and currency instability. The Company's operations have not been materially affected by any such factors to date. However, due to the large portion of the Company's products which are produced abroad, any substantial disruption of its relationships with its foreign suppliers could adversely affect the Company's operations.

IMPORT AND IMPORT RESTRICTIONS

Virtually all of the Company's merchandise imported into the United States is subject to United States duties. In addition, bilateral agreements between the major exporting countries and the United States impose quotas that limit the amount of certain categories of merchandise that may be imported into the United States. The majority of such agreements contain "consultation" clauses which allow the United States, under certain circumstances, to impose unilateral restrictions on the importation of certain categories of merchandise that are not subject to specified limits under the terms of an agreement. These bilateral agreements have been negotiated under the framework of the MultiFiber Arrangement ("MFA"), which has been in effect since 1974. The United States, a participant in international negotiations known as the "Uruguay Round", ratified legislation enacting and implementing the various agreements of the Uruguay Round, effective January 1, 1995, including the Uruguay Round Agreement on Textiles and Clothing which requires World Trade Organization member countries to phase out textile and apparel quotas in three stages over a ten year period. In addition, it regulates trade in non-integrated textile and apparel quotas during the ten year transition period. However, even with respect to integrated textile and apparel quota categories, the United States remains free to establish numerical restraints in response to a particular product being imported in such increased quantities as to cause (or threaten) serious damage to the relevant domestic industry. United States legislation implementing the Uruguay Round also changed the rule of origin for many textiles and apparel products effective July 1, 1996, with certain minor exceptions. This change now determines country of origin based on "assembly" for most textile and apparel products. The Uruguay Round also incorporates modest duty reductions for textile and apparel products over a ten year staging schedule. This will likely result in a modification of current patterns of international trade with respect to

apparel and textiles. See "Competition; Certain Risks" below.

In addition, each of the countries in which the Company's products are sold have laws and regulations regarding import

restrictions and quotas. Because the United States and other countries in which the Company's products are manufactured and sold may, from time to time, impose new quotas, duties, tariffs, surcharges or other import controls or restrictions, or adjust presently prevailing quota allocations or duty or tariff rates or levels, the Company maintains a program of intensive monitoring of import and quota-related developments. The Company seeks continually to minimize its potential exposure to import and quota-related risks through, among other measures, allocation of production to merchandise categories that are not subject to quota pressures, adjustments in product design and fabrication, shifts of production among countries and manufacturers, as well as through geographical diversification of its sources of supply.

In light of the very substantial portion of the Company's products which are manufactured by foreign suppliers, the enactment of new legislation or the administration of current international trade regulations, or executive action affecting textile agreements, could adversely affect the Company's operations.

DISTRIBUTION

The Company distributes its products through facilities that are owned or leased by the Company, as well as through third-party facilities operated by independent contractors. Principal distribution facilities are located in Alabama, California, Indiana, New Jersey and Pennsylvania. See "Properties" below.

TRADEMARKS

The Company owns and/or uses a variety of trademarks in connection with its businesses and products, including CLAIBORNE, CLAIBORNE SPORT, CRAZY HORSE, CURVE, DANA BUCHMAN, DANA BUCHMAN INTUITION, DANA BUCHMAN LUXE, ELISABETH, EMMA JAMES, FIRST ISSUE, J.H. COLLECTIBLES, LEATHER CO., LAUNDRY BY SHELLI SEGAL, LIZ, LIZ & CO., LIZ CLAIBORNE, LIZ CLAIBORNE COLLECTION, LIZ CLAIBORNE STUDIO, LIZSPORT, LIZWEAR, REALITIES, RUSS, VILLAGER, VIVID, its LC logomark, its triangular logomark and its leaf design. The Company has exclusive rights, under license, to the DKNY(R) JEANS and DKNY(R) ACTIVE trademarks and logos for men's and women's sportswear, jeanswear and activewear in the Western Hemisphere. The Company is also the exclusive licensee of the KENNETH COLE NEW YORK, UNLISTED.COM and REACTION KENNETH COLE trademarks for women's wear in North America and certain countries in Central America and South America, as well as the CANDIE'S trademark for fragrance, cosmetic and beauty products worldwide. See Note 3 of Notes to Consolidated Financial Statements. By virtue of its ownership interests, the Company controls the Segrets' trademarks, which include SIGRID OLSEN SPORT, SIGRID OLSEN COLLECTION, SO BLUE BY SIGRID OLSEN, SIGRID WOMAN and SIGRID OLSEN PETTITES, and the Lucky trademarks, which include LUCKY BRAND, HOT PINK, TRIPLE XXX, LUCKYVILLE and Lucky's four leaf clover design and pocket design.

The Company has registered or applied for registration of a multitude of trademarks, including those referenced above, for use on apparel and apparel-related products, including accessories, cosmetics and jewelry in the United States as well as numerous foreign territories. The Company also has a number of design patents. The Company regards its trademarks and other proprietary rights as valuable assets and believes that they have significant value in the marketing of its products. The Company vigorously protects its trademarks and other intellectual property rights against infringement.

COMPETITION; CERTAIN RISKS

The apparel and related product markets are highly competitive, both within the United States and abroad.

The Company's ability to successfully compete depends on a number of factors, including the Company's ability to effectively anticipate, gauge and respond to changing consumer demands and tastes, to translate market trends into appropriate, saleable product offerings relatively far in advance, and to operate within substantial production and delivery constraints. In addition, consumer and customer acceptance and support (especially by the Company's largest customers) depend upon, among other things, product, value and service.

The Company believes that, based on sales, it is among the largest apparel companies operating in the United States. Although the Company is unaware of any comprehensive trade statistics, it believes, based on its knowledge of the market and available trade information, that measured by sales, it is the largest "better" women's branded apparel company in the United States. Principal competitors within the "better" women's sportswear market include Jones Apparel Group, Inc., Polo Ralph Lauren Corporation and Tommy Hilfiger Corporation.

In addition to the competitive factors described above, the Company's business, including its revenues and profitability, is influenced by and subject to a number of factors which are inherently uncertain and therefore difficult to predict, including, among others: changes in regional, national and global economic conditions; risks associated with changes in the competitive

marketplace, including the levels of consumer confidence and spending, and the financial condition of the apparel industry and the retail industry, as well as adverse changes in retailer or consumer acceptance of the Company's products as a result of fashion trends or otherwise and the introduction of new products or pricing changes by the Company's competitors; risks associated with the Company's dependence on sales to a limited number of large department store customers, including risks related to customer requirements for vendor margin support and those related to extending credit to customers; risks associated with consolidations, restructurings and other ownership changes in the retail industry; risks associated with Year 2000 issues that may arise with the Company, third party customers or suppliers in connection with systems that have not been fully vested (see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Year 2000 Issue/Information Systems Upgrade."); uncertainties relating to the Company's ability to implement its growth strategies; the Company's ability to correctly balance the level of its fabric and/or merchandise commitments with actual orders; the Company's ability to effectively distribute its products within its targeted markets (including distribution to and through wholesale accounts and Company operated retail stores and concession locations); risks associated with the possible inability of the Company's unaffiliated manufacturers to manufacture and deliver products in a timely manner, to meet quality standards or to comply with the Company's policies regarding labor practices; the chance of substantial disruption of the Company's relationships with its suppliers, manufacturers and employees; and risks associated with changes in social, political, economic and other conditions affecting foreign operations and sourcing. See also Note 8 of Notes to Consolidated Financial Statements. With respect to foreign sourcing, the Company notes that legislation which would further restrict the importation and/or increase the cost of textiles and apparel produced abroad has periodically been introduced in Congress. Although it is unclear whether any new legislation will be enacted into law, it appears likely that various new legislative or executive initiatives will be proposed. These initiatives may include a reevaluation of the trading status of certain countries, including Normal Trade Relations ("NTR") treatment for the People's Republic of China ("PRC") and/or retaliatory duties, quotas or other trade sanctions, which, if enacted, would increase the cost of products purchased from suppliers in such countries. The PRC's Permanent NTR treatment was renewed in July 1999 for an additional year. In light of the very substantial portion of the Company's products which are manufactured by foreign suppliers, the enactment of new legislation or the administration of current international trade regulations, or executive action affecting international textile agreements, could adversely affect the Company's operations. See "Import and Import Restrictions" and "Sales and Marketing" above.

The Company from time to time reviews its possible entry into new markets, either through internal development activities or through acquisitions. The entry into new markets (including the development and launch of new product categories), such as the Company's entry into the moderate market, and the acquisition of businesses, such as the Company's acquisitions of Segrets, Lucky and Laundry, is accompanied by risks inherent in any new business venture and may require methods of operations and marketing strategies different from those employed in the Company's other businesses. Moreover, certain new businesses may be lower margin businesses and may require the Company to achieve significant cost efficiencies. In addition, new markets may involve buyers, store customers and/or competitors different from the Company's historical buyers, customers and competitors. Furthermore, the Company's acquisition of other businesses entails the normal risks inherent in such transactions, including, without limitation, possible difficulties, delays and/or unanticipated costs in integrating the business, operations, personnel, and/or systems of the acquired entity; risks that projected or satisfactory level of sales, profits and/or return on investment will not be generated; risks that expenditures required for capital items or working capital will be higher than anticipated; risks involving the Company's ability to retain and appropriately motivate key personnel of the acquired business; and risks associated with unanticipated events and unknown or uncertain liabilities.

EMPLOYEES

At January 1, 2000, the Company had approximately 7,700 full-time employees, as compared with approximately 7,000 full-time employees at January 2, 1999. The Company considers its relations with its employees to be satisfactory and to date has not experienced any interruption of operations due to labor disputes.

The Company is bound by a national collective bargaining agreement with the Union of Needletrades, Industrial and Textile Employees (UNITE), agreements with various locals and a Jobbers Agreement with UNITE. These agreements cover approximately 1,800 of the Company's full-time employees and expire on May 31, 2000. Most of the union-represented employees are employed in warehouse and distribution facilities the Company operates in New Jersey, Pennsylvania and Alabama. While relations between the Company and the union have historically been amicable, the Company believes it prudent to prepare for the possibility of a labor dispute at one or more of its facilities. While the Company does not foresee the likelihood of a prolonged labor dispute, any substantial labor disruption could adversely affect the Company's operations.

ITEM 2. PROPERTIES.

The Company's showrooms and executive offices, as well as its sales, merchandising and design staffs, are located at 1441 Broadway, New York, New York, where the Company leases approximately 287,000 square feet under a master lease which, pursuant to amendments entered into effective in 1999, expires at the end of 2012 and contains certain renewal

options and rights of first refusal for additional space. The Company currently leases office space at two other buildings in New York City covering approximately 29,000 and 93,000 square feet (with terms expiring in 2003 and 2013, respectively) and licenses space in another building covering approximately 39,000 square feet. These properties are used in all of the Company's business segments.

The Company owns an approximately 450,000 square foot New Jersey warehouse and distribution facility (plus mezzanine space of approximately 170,000 square feet) located at One Claiborne Avenue, North Bergen, New Jersey. This facility also houses the Company's production and certain administrative personnel. The Company also owns an approximately 300,000 square foot office facility at this location. The Company presently leases approximately 955,000 square feet in other New Jersey warehouse and distribution facilities, the current terms of which expire through 2008. The Company also owns a warehouse and distribution facility located on 80 acres in Mt. Pocono, Pennsylvania. An expansion of the Pocono facility, which now includes approximately 630,000 square feet of warehouse and distribution space (plus mezzanine space of approximately 600,000 square feet), was completed in 1999. In addition, the Company occupies an approximately 150,000 square foot warehouse and distribution facility in Mt. Pocono, Pennsylvania under a sublease which expires in 2002. The Company leases pursuant to industrial development financing an approximately 290,000 square foot warehouse and distribution facility (plus mezzanine space of approximately 380,000 square feet) located on a 124 acre site in Montgomery, Alabama. Additionally, the Company occupies an approximately 120,000 square foot warehouse facility in Montgomery, Alabama under a lease which, pursuant to a renewal option exercised by the Company in 1999, expires at the end of 2001. The Company also leases showroom, warehouse and office space in various other domestic and international locations. These properties are used in each of the Company's business segments. The Company also uses unaffiliated third parties to provide distribution services at several additional facilities. The Company is seeking to sell its approximately 270,000 square foot facility in Augusta, Georgia (located on a 98-acre site and previously used in connection with a dyeing and finishing joint venture).

The Company leases space for its 99 retail specialty stores (aggregating approximately 410,000 square feet) and its 144 outlet stores (aggregating approximately 1,141,091 square feet).

The Company believes that its existing facilities are well maintained, in good operating condition and, upon occupancy of additional space, will be adequate for its present level of operations. See Note 8 of Notes to Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS.

Various legal actions are pending against the Company. Although the outcome of any such actions cannot be determined with certainty, management is of the opinion that the final outcome of any of these actions should not have a material adverse effect on the Company's results of operations or financial position. See Note 8 and Note 18 of Notes to Consolidated Financial Statements.

In January 1999, two actions were filed in California naming as defendants more than a dozen United States-based apparel companies that source garments from Saipan (Commonwealth of the Northern Mariana Islands) and a large number of Saipan-based garment factories. The actions assert that the Saipan factories engage in unlawful practices relating to the recruitment and employment of foreign workers and that the apparel companies, by virtue of their alleged relationship with the factories, have violated various federal and state laws. One action, filed in California Superior Court in San Francisco by a union and three public interest groups, alleges unfair competition and false advertising (the "State Court Action"). The State Court Action seeks equitable relief, unspecified amounts for restitution and disgorgement of profits, interest and an award of attorney's fees. The second, filed in the United States District Court for the Central District of California, and later transferred to the District of Hawaii, is brought on behalf of a purported class consisting of the Saipan factory workers (the "Federal Court Action"). The Federal Court Action alleges claims under the civil RICO statute and the Alien Tort Claims Act, premised on supposed violations of the federal anti-peonage and indentured servitude statutes, as well as other violations of Saipan and international law, and seeks equitable relief and unspecified damages, including treble and punitive damages, interest and an award of attorney's fees. A third action, brought in Federal Court in Saipan solely against the garment factory defendants on behalf of a putative class of their workers, alleges violations of federal and Saipanese wage and employment laws.

The Company sources products in Saipan but was not named as a defendant in the actions. The Company, and certain other apparel companies not named as defendants, were advised in writing, however, that they would be added as parties if a consensual resolution of the claims could not be reached. The Company has since reached an agreement to settle all claims that were or could have been asserted in the Federal or State Court Actions. To date, fifteen other apparel companies have also agreed to settle these claims. The settlement agreements are subject to federal court approval. Under the terms of the agreement, if the settlement does not receive final federal court approval, the Company will be entitled to a refund of the

entire settlement amount except for funds of up to \$10,000 spent on costs of notice. Because the litigation is at a preliminary stage, with no merits discovery having taken place, if the settlement is not finally approved by the federal court, we cannot at this juncture determine the likelihood of a favorable or unfavorable outcome or the magnitude of the latter if it were to occur.

In addition, the Company was a party to a putative class action, *Chun Hua Mui v. Union of Needletrades Industrial and Textile Employees*, 97 Civ. 7270, filed in the United States District Court for the Southern District of New York by three current and former employees of Mademoiselle Knitware, Inc. (Mademoiselle"), a former knitgoods supplier for the Company, against the Company and three labor unions - the Union of Needletrades, Industrial and Textile Employees ("Unite"), Unite Local 23-25, which represents a substantial number of the Company's employees and Unite Local 155, which represented Mademoiselle employees. On August 18, 1998, all of the claims against the Company were dismissed. On February 4, 2000, counsel for the plaintiffs confirmed that the plaintiffs were not appealing from the order dismissing all claims in the action against the Company. Accordingly, the dismissal is final.

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

No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of the fiscal year covered by this report.

EXECUTIVE OFFICERS OF THE REGISTRANT.

Information as to the executive officers of the Company, as of March 17, 2000, is set forth below:

Name ----	Age ---	Position(s) -----
Paul R. Charron	57	Chairman of the Board and Chief Executive Officer
Denise V. Seegal	46	President
Jorge L. Figueredo	39	Senior Vice President - Human Resources; President-International
John R. Thompson	48	Senior Vice President - Service, Systems and Distribution
Robert J. Zane	60	Senior Vice President - Manufacturing and Sourcing
Richard F. Zannino	41	Senior Vice President - Finance and Administration, Chief Financial Officer

Executive officers serve at the discretion of the Board of Directors.

Mr. Charron joined the Company as Vice Chairman and Chief Operating Officer, and became a Director, in 1994. In 1995, Mr. Charron became President (a position he held until October 1996) and Chief Executive Officer of the Company. In 1996, Mr. Charron became Chairman of the Board of the Company. Prior to joining the Company, Mr. Charron served in various executive capacities with VF Corporation, an apparel manufacturer, from 1988.

Ms. Seegal joined the Company in 1996 as President. Prior to joining the Company, Ms. Seegal served as President of the CK Men's and Women's divisions of Calvin Klein, Inc. from 1994 to 1996 and as President of the DKNY divisions of the Donna Karan Company from 1989 to 1994.

Mr. Figueredo joined the Company in 1984 as Administrator, Warehouse Employee Relations and served in various management positions thereafter. In 1992, Mr. Figueredo was promoted to Vice President, Human Resources Operations. Since 1994, Mr. Figueredo has served as Senior Vice President - Human Resources, and in 1999, Mr. Figueredo became President of the Company's International Division.

Mr. Thompson joined the Company in 1995 and has served since as Senior Vice President of Service, Systems and Reengineering. From 1995 to 2000, Mr. Thompson also served as Chief Information Officer. Prior to joining the Company, Mr. Thompson served as Executive Vice President for Business Systems/Logistics and Chief Information Officer of Goody's Family Clothing, Inc., an apparel retailer, from 1993 to 1995.

Mr. Zane joined the Company in 1995 as Senior Vice President - Manufacturing and Sourcing. Prior to joining the Company, Mr. Zane owned and operated Medallion Tekstil, a private label manufacturing company he founded in 1989.

Mr. Zannino joined the Company in October 1998 as Senior Vice President - Finance and Administration, Chief Financial Officer. Prior to joining the Company, Mr. Zannino was Executive Vice President, Chief Financial Officer at General Signal Corporation from April 1998 to October 1998. He served as Executive Vice President and Chief Financial Officer of Saks Holdings, Inc. and its wholly owned subsidiary Saks & Company ("Saks"), retail merchants, and Treasurer of Saks Holdings, Inc. from July 1996 to April 1998, as Senior Vice President, Strategic Planning and Business Development of Saks from May 1994 to July 1996 and as Vice President and Treasurer of Saks from January 1993 to May 1994.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Common Stock trades on the New York Stock Exchange ("NYSE") under the symbol LIZ. The table below sets forth the high and low closing sale prices of the Common Stock (based on the NYSE composite tape) for the periods indicated.

Calendar Period -----	High ----	Low ---
1999:		
1st Quarter	38-3/16	31-7/16
2nd Quarter	39-1/16	31-7/16
3rd Quarter	39-5/8	31
4th Quarter	40	32 -1/4
1998:		
1st Quarter	53 - 3/8	38
2nd Quarter	54 - 3/4	45 - 3/4
3rd Quarter	53 - 9/16	25 - 1/2
4th Quarter	34 - 1/2	25 - 9/16

On March 6, 2000, the closing sale price of the Company's Common Stock was \$41-1/8. As of March 6, 2000, the approximate number of record holders of Common Stock was 8,068.

The Company has paid regular quarterly cash dividends since May 1984. Quarterly dividends for the last two fiscal years were paid as follows:

Calendar Period -----	Dividends Paid per Common Share -----
1999:	
1st Quarter	\$.1125
2nd Quarter	\$.1125
3rd Quarter	\$.1125
4th Quarter	\$.1125

Calendar Period	Dividends Paid per Common Share
-----	-----
1998:	
1st Quarter	\$.1125
2nd Quarter	\$.1125
3rd Quarter	\$.1125
4th Quarter	\$.1125

The Company currently plans to continue paying quarterly cash dividends on its Common Stock. The amount of any such dividend will depend on the Company's earnings, financial position, capital requirements and other relevant factors.

In December 1989, the Board of Directors first authorized the repurchase, as market and business conditions warranted, of the Company's Common Stock for cash in open market purchases and privately negotiated transactions. From time to time thereafter, the Board has authorized additional repurchases. As of March 6, 2000, the Company had expended an aggregate of \$1.272 billion of the \$1.525 billion authorized under its stock repurchase program, covering approximately 40 million shares. See Note 8 to Consolidated Financial Statements.

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth certain information regarding the Company's operating results and financial position and is qualified in its entirety by the consolidated financial statements and notes thereto which appear elsewhere herein:

(All dollar amounts in thousands except per common share data)

	1999	1998	1997	1996	1995
	----	----	----	----	----
Net sales	\$ 2,806,548	\$ 2,535,268	\$ 2,412,601	\$ 2,217,518	\$ 2,081,630
Gross profit	1,097,582	997,102	969,658	876,435	790,701
Net income	192,442	169,377*	184,644	155,665	126,914
Working capital	506,298	711,942	729,763	815,429	757,199
Total assets	1,411,801	1,392,791	1,305,285	1,382,750	1,329,243
Stockholders' equity	902,169	981,110	921,627	1,020,492	988,226
Per common share data:					
Basic earnings	3.13	2.59*	2.65	2.15	1.69
Diluted earnings	3.12	2.57*	2.63	2.14	1.69
Book value at year end	15.91	15.34	13.94	14.37	13.41
Dividends paid	.45	.45	.45	.45	.45
Weighted average common shares outstanding	61,523,465	65,502,852	69,619,167	72,396,130	75,002,861
Weighted average common shares and share equivalents outstanding	61,719,591	65,846,776	70,191,115	72,845,100	75,299,746

* Includes the after tax effect of a restructuring charge of \$17,100 (\$27,000 pretax) or \$.26 per common share in 1998.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULTS OF OPERATIONS

The following table sets forth items in the Consolidated Statements of Income of the Company as a percent of net sales and the percentage change of those items as compared to the prior year.

	FISCAL YEARS PERCENT OF SALES			YEAR TO YEAR % CHANGE	
	1999 ----	1998 ----	1997 ----	1999 VS 1998 ----	1998 VS 1997 ----
NET SALES	100.0%	100.0%	100.0%	10.7%	5.1%
Cost of goods sold	60.9	60.7	59.8	11.1	6.6
GROSS PROFIT	39.1	39.3	40.2	10.1	2.8
Selling, general and administrative expenses	28.4	28.1	28.7	12.0	2.9
OPERATING INCOME (BEFORE RESTRUCTURING CHARGE)	10.7	11.2	11.5	5.3	2.7
Restructuring charge	--	1.1	--	(100.0)	--
OPERATING INCOME	10.7	10.2	11.5	16.3	(7.1)
Investment and other income-net	.1	.4	.7	(79.6)	(43.2)
INCOME BEFORE PROVISION FOR INCOME TAXES	10.7	10.5	12.2	13.1	(9.0)
Provision for income taxes	3.9	3.8	4.5	12.2	(10.3)
NET INCOME	6.9	6.7	7.7	13.6	(8.3)
NET INCOME (BEFORE RESTRUCTURING CHARGE)	6.9%	7.4%	7.7%	3.2%	1.0%

We have the following business segments: Wholesale Apparel, Wholesale Non-Apparel and Retail. Our Wholesale Apparel segment consists of businesses that design, manufacture and market to our wholesale customers women's and men's apparel under various trademarks (capitalized herein) owned or licensed by the Company; this segment includes our career (COLLECTION), casual (LIZSPORT, LIZWEAR and LIZ & CO.), bridge (DANA BUCHMAN), dress, large size (ELISABETH), men's (CLAIBORNE), moderate priced special markets (CRAZY HORSE, EMMA JAMES, FIRST ISSUE, RUSS and VILLAGER), specialty apparel (SIGRID OLSEN), premium denim (LUCKY BRAND DUNGAREES) and contemporary sportswear and dress (LAUNDRY) businesses, as well as our licensed DKNY(R) JEANS and DKNY(R) ACTIVE businesses and our licensed KENNETH COLE NEW YORK, REACTION KENNETH COLE and UNLISTED.com businesses. Our Wholesale Non-Apparel segment consists of businesses that design, manufacture and market to our wholesale customers women's handbags, small leather goods, fashion accessories, jewelry, and women's and men's cosmetics under various of the above and other trademarks owned or licensed by us. Our Retail segment consists of businesses that sell merchandise designed and manufactured by our Wholesale Apparel and Wholesale Non-Apparel segments to the public through our 99 specialty retail and 144 outlet stores as well as leased departments. All data with

respect to our individual segments included within "Management's Discussion and Analysis" are presented before applicable intercompany eliminations. See Note 16 of Notes to Consolidated Financial Statements.

1999 VS. 1998

Our net sales for 1999 were \$2.81 billion, an increase of 10.7% compared to \$2.54 billion in 1998 (both periods include 52 weeks). This increase reflected a 10.6% increase in Wholesale Apparel to \$2.20 billion, a 6.6% increase in Wholesale Non-Apparel to \$341 million and a 3.2% increase in Retail to \$445 million.

The increase in net sales of our Wholesale Apparel segment was broad-based, reflecting our acquisition and brand development activities as well as growth in our overall core apparel businesses. This increase primarily reflected the inclusion of the partial year sales of our SIGRID OLSEN, LUCKY BRAND DUNGAREES and LAUNDRY businesses, all acquired in 1999 (hereinafter referred to as our "recently acquired businesses"), which accounted for \$113 million, or 42%, of our 1999 total net sales increase, as well as sales increases in our special markets business due to higher unit volume and higher average unit selling prices, and in our DKNY(R) JEANS and DKNY(R) ACTIVE businesses due to higher unit volume. This increase also reflected higher sales in our core casual, men's and ELISABETH businesses, due in each case principally to higher unit volume. These increases were partially offset by decreases in our career, DANA BUCHMAN and dress businesses, due to lower unit volume, and lower average unit selling prices reflecting weakness in demand. In February 2000, the Company signed an agreement with Leslie Fay Company, Inc. to license its dress business. See Note 19 of Notes to Consolidated Financial Statements.

The increase in our Wholesale Non-Apparel net sales reflected increased sales in our cosmetics business, which launched the licensed CANDIE'S fragrance during August 1999, and in our jewelry business, due principally to higher unit volume. These sales increases were partially offset by decreased sales in our handbags business due primarily to lower average unit selling prices.

The increase in net sales of our Retail segment reflected increased outlet store sales primarily due to 28 new stores, and the inclusion of the partial year sales of one LUCKY BRAND DUNGAREES store and four LAUNDRY stores. This increase was partially offset by a decline in sales of our specialty retail stores resulting primarily from the closure of 30 underperforming stores during 1999, partially offset by the inclusion of the partial year sales of 11 LUCKY BRAND DUNGAREES stores and one LAUNDRY store.

Gross profit dollars increased \$100 million, or 10.1%, in 1999 over 1998, while gross profit as a percent of sales declined to 39.1% in 1999, from 39.3% in 1998. These results principally reflect a decline in the gross profit rate in our Wholesale Non-Apparel segment resulting primarily from higher markdown allowances in our handbag and fashion accessories businesses. In our Wholesale Apparel segment, we experienced a higher gross profit rate, as lower margins within our DANA BUCHMAN business, continued depressed margins within our career and dress businesses and the larger proportion of sales represented by our special markets business (which operates at a lower gross profit rate than the Company average) were offset by the inclusion of our recently acquired businesses (which operate at a higher gross profit rate than the Company average) and lower cost global sourcing of our merchandise. We also experienced a higher gross profit rate in our Retail segment, due principally to the closure of 30 underperforming stores mentioned above.

Selling, general and administrative expenses ("SG&A"), before our 1998 restructuring charge (see Note 10 of Notes to Consolidated Financial Statements), increased \$85 million, or 12.0%, in 1999 over 1998. These expenses, before the 1998 restructuring charge, increased to 28.4% of net sales in 1999 from 28.1% in 1998, principally reflecting our recently acquired businesses (which operate at higher SG&A rates than the Company average), marketing costs associated with the launch of the CANDIE'S fragrance, higher incentive compensation expense relative to 1998's depressed level, and an increase in depreciation and amortization expense related to our significant investments over the past three years in the technological upgrading of our distribution centers and information systems and the expansion of our in-store merchandise shop programs. These increases were partially offset by lower salary and related expenses reflecting headcount reductions, as well as increased penetration of our special markets business, which is supported by lower SG&A levels.

As a result of the factors described above, operating income, before the impact of the 1998 restructuring charge, increased \$15 million, or 5.3%, in 1999 compared to 1998, and decreased to 10.7% of net sales in 1999 from 11.2% in 1998. Segment operating profit in our Wholesale Apparel segment increased to \$267 million (12.2% of net sales) in 1999 from \$244 million (12.3% of net sales) in 1998, primarily due to increased sales and gross profit rates in our core casual, men's, and ELISABETH businesses and the inclusion of the profits from our recently acquired businesses. Segment operating profit in Wholesale Non-Apparel decreased to \$33 million (9.6% of net sales) in 1999 from \$47 million (14.5% of net sales) in 1998, primarily due to decreased sales and higher markdown allowances in our handbags business. Segment operating profit in Retail increased to \$58 million (13.1% of net sales) in 1999 from \$45 million (10.5% of net sales) in 1998, primarily due to the opening of new stores, the closure of 30 underperforming stores and the inclusion of the stores of our

recently acquired

businesses. Including the impact of the 1998 restructuring charge, operating income increased \$42 million, or 16.3%, in 1999 compared to 1998, and increased to 10.7% of sales in 1999 from 10.2% in 1998.

Investments and other income-net decreased by \$7 million in 1999 compared to 1998 due to a decrease in our cash and marketable securities portfolio and the incurrence of debt primarily to fund our ongoing stock repurchase program and growth initiatives.

The provision for income taxes increased \$11.8 million in 1999 and increased as a percent of sales to 3.9% in 1999 from 3.8% in 1998, primarily reflecting higher pretax income as a percent of sales in 1999, partially offset by a reduction in our effective tax rate to 36.0% during the third and fourth quarters of 1999 from 36.5% in the comparable 1998 periods.

Due to the factors described above, 1999 net income, before the impact of the 1998 restructuring charge, increased \$6 million over 1998 and decreased as a percentage of sales to 6.9% from 7.4% in 1998. Including the impact of the 1998 restructuring charge, 1999 net income was \$23 million higher than in 1998, and increased as a percentage of net sales from 6.7% in 1998.

Before the impact of the 1998 restructuring charge, 1999 diluted earnings per common share increased 10.2% to \$3.12 compared to \$2.83 in 1998. Including the impact of the 1998 restructuring charge, diluted earnings per common share increased 21.4% to \$3.12 in 1999 from \$2.57 in 1998. Diluted earnings per common share reflected a lower number of average outstanding common shares and share equivalents in 1999 as a result of our repurchase of 7.4 million shares in 1999.

1998 VS. 1997

Our net sales for 1998 (which included 52 weeks) were \$2.54 billion, an increase of 5.1% compared to \$2.41 billion in 1997 (which included 53 weeks). This increase reflected a 6.8% increase in our Wholesale Apparel segment to \$1.99 billion, a 3.9% increase in Wholesale Non-Apparel to \$320 million and a 4.7% increase in our Retail segment to \$431 million.

The increase in net sales of our Wholesale Apparel segment reflected new product offerings in our DKNY(R) JEANS and special markets businesses, which accounted for \$112 million, or 91%, of our 1998 total net sales increase. The increase also reflected higher sales in our existing special markets businesses, as well as increases in our casual, men's and ELISABETH businesses, due in each case principally to higher unit volume. These increases were partially offset by decreases in our DANA BUCHMAN, dress and career businesses due primarily to lower unit volume and, in the case of dresses, slightly lower average unit selling prices.

The increase in our Wholesale Non-Apparel segment net sales reflected increased sales of jewelry and fragrances due principally to higher unit volume, partially offset by decreased sales of fashion accessories due primarily to lower average unit selling prices.

The increase in net sales of our Retail segment reflected increased outlet store sales primarily due to the opening of 23 new stores, partially offset by a decline in sales of our specialty retail stores.

Gross profit dollars increased \$27 million, or 2.8%, in 1998 over 1997. Gross profit margins declined to 39.3%, in 1998, compared to 40.2% in 1997, reflecting lower gross profit margins across all of our segments. This result reflected a higher level of close-out sales and lower prices realized on those close-out sales, as well as higher markdown allowances, partially offset by lower merchandise costs due in part to a larger proportion of product shipped by ocean vessel transport as compared to more costly air transport.

SG&A increased \$20 million, or 2.9%, in 1998 over 1997. These expenses declined to 28.1% of net sales in 1998 from 28.7% in 1997 reflecting lower SG&A as a percent of net sales across all segments. The 1998 dollar increase was due primarily to additional operating expenses related to the launches of DKNY(R) JEANS and DKNY(R) ACTIVE and the technological upgrading of our distribution centers and information systems. These dollar increases were partially offset by lower salary and related expenses and lower occupancy and cosmetics marketing costs, which also contributed to the decline in SG&A as a percentage of sales.

We recorded a \$27 million pretax restructuring charge (\$17 million after tax) to cover the estimated costs of closing approximately 30 underperforming specialty retail stores, as well as streamlining operating and administrative functions. This charge included the write-off of certain assets, severance and contract termination costs. See Note 10 of Notes to Consolidated Financial Statements.

As a result of the restructuring charge as well as the other factors described above, operating income decreased \$20 million, or 7.1%, in 1998 compared to 1997, and decreased to 10.2% of net sales in 1998 compared to 11.5% in 1997. Before the restructuring charge, operating income increased \$7 million, and was 11.2% of sales. Operating income in our Wholesale Apparel segment declined to \$244 million (12.3% of net sales) in 1998 from \$250 million (13.5% of net sales) in 1997 primarily due to lower gross profit margins reflecting higher close-out sales and lower margins on those sales, as well as higher intercompany sales to Retail which are lower margin sales. Segment operating income in Wholesale Non-Apparel increased to \$47 million (14.5% of net sales) in 1998 from \$38 million (12.4% of net sales) in 1997, reflecting increased earnings from our fragrance and jewelry businesses due primarily to sales increases and lower SG&A as a percent of net sales, partially offset by lower gross profit margins. Segment operating income in Retail increased to \$45 million (10.5% of net sales) in 1998 from \$40 million (9.8% of net sales) in 1997, due primarily to sales increases from new stores.

Investments and other income-net decreased by \$6.9 million in 1998 compared to 1997 due to a decrease in our cash and marketable securities portfolio due primarily to our ongoing stock repurchase program and investments in working capital and fixed assets.

The provision for income taxes were \$11 million lower and decreased as a percentage of net sales to 3.8% in 1998 from 4.5% in 1997, primarily reflecting lower pretax income and a lower effective tax rate of 36.5% in 1998 compared to 37.0% in 1997.

Net income in 1998 decreased \$15 million compared to 1997 and declined as a percentage of net sales to 6.7% in 1998 from 7.7% in 1997, due primarily to the restructuring charge as well as the other factors described above.

Diluted earnings per common share decreased 2.3% to \$2.57 in 1998 from \$2.63 in 1997. Before the \$0.26 per share impact of the restructuring charge, diluted earnings per common share increased 7.6% to \$2.83 in 1998. Diluted earnings per common share reflected a lower number of average outstanding common shares and share equivalents in 1998 as a result of our ongoing stock repurchase program where we repurchased 2.9 million shares for a total cost of \$106 million during 1998.

FINANCIAL POSITION, CAPITAL RESOURCES AND LIQUIDITY

Our primary ongoing cash requirements are to fund growth in working capital (primarily accounts receivable and inventory) to support increased sales, investment in the technological upgrading of our distribution centers and information systems and other expenditures related to retail store expansion, in-store concept shops and normal maintenance activities. In 1999, we also required cash to fund our acquisition program and our ongoing stock repurchase program. Sources of liquidity to fund these cash requirements include cash flow from operations, cash and marketable securities on hand and bank lines of credit.

1999 vs. 1998

In 1999, we ended the year with cash and cash equivalents of \$38 million compared to \$230 million of cash, cash equivalents and marketable securities at year end 1998, and \$116 million of debt at year end 1999 compared to no debt outstanding at year end 1998. This \$308 million change in our cash and debt position was due primarily to the significant investments we made in 1999, including our expenditure of \$281 million to repurchase common stock, an aggregate of \$178 million for purchase price payments in connection with our newly acquired businesses, net of cash acquired, \$98 million for capital expenditures primarily related to our warehouse automation and information system initiatives and in-store merchandise shops, as well as \$29 million for an equity investment in Kenneth Cole Productions, Inc., partially offset by cash provided from operating activities.

Net cash provided by operating activities was \$294 million in 1999, compared to \$132 million in 1998. This \$162 million increase was due primarily to cash generated from a \$26 million decrease in net working capital investment in 1999, compared to a \$107 million use of cash for working capital in 1998, \$12 million higher depreciation and amortization expense in 1999 and the \$27 million restructuring charge in 1998.

Accounts receivable increased \$47 million, or 19%, at year-end 1999 over year-end 1998. Approximately 50% of this increase reflected the assumption of accounts receivable of our recently acquired businesses. The balance of the increase reflects higher net sales in 1999.

Inventory decreased \$57 million, or 12%, in 1999 compared to 1998 notwithstanding the increase in net sales. Excluding the inventories of the recently acquired businesses, inventory declined by \$80 million or 17% compared to year-end 1998. This decrease reflects the inventory management initiatives implemented at the end of 1998, which focused on improving inventory productivity in our replenishment and essential programs and increasing the ratio of our sales to our

inventory ownership levels. As a result of these efforts, we reduced our inventory levels and improved our average inventory turnover rate by 10% in 1999, to 4.2 times from 3.8 times in 1998.

Net cash used in investing activities was \$232 million in 1999, compared to net cash provided by investing activities of \$26 million in 1998. This \$258 million decrease reflected net disposals of investments of \$65 million in 1999, compared to a net disposal of investments of \$155 million in 1998. The decrease from 1998 also reflected the 1999 acquisition costs of our newly acquired businesses, our investment in Kenneth Cole Productions, Inc., and our acquisition of an additional license from Donna Karan International.

Net cash used in financing activities was \$188 million in 1999, compared to \$131 million in 1998. This \$57 million increase primarily reflected an increase of \$165 million in stock repurchase expenditures in 1999 over 1998, partially offset by net borrowings during 1999 of \$116 million compared to none in 1998. As of March 6, 2000, we have expended approximately \$1.272 billion of the \$1.525 billion authorized to date under our stock repurchase program. Our borrowings peaked at \$141 million during 1999.

Our anticipated capital expenditures for 2000 approximate \$75 million. These expenditures consist primarily of the continued technological upgrading and expansion of our management information systems and distribution facilities (including certain building and equipment expenditures), leasehold improvements at our New York offices and the planned opening of an additional 27 specialty retail and 22 outlet stores. In addition, we anticipate spending approximately \$25 million on in-store merchandise shops in 2000. Capital expenditures, in-store shops and working capital cash needs will be financed with net cash provided by operating activities and our revolving credit and trade letter of credit facilities.

In December 1999, the Company received \$600 million of financing commitments under a bank revolving credit facility to finance our liquidity needs. This bank facility, which has received credit ratings of BBB from Standard & Poors and Baa2 from Moody's Investor Services, may be either drawn upon or used as a liquidity facility to support the issuance of A2/P2 rated commercial paper under our \$600 million commercial paper program. At year end 1999, we had \$116 million outstanding under our commercial paper program. In addition, we have in place \$433 million of trade letter of credit facilities to support our merchandise purchasing requirements. At year end 1999, we had \$265 million outstanding under these letter of credit facilities. We anticipate that the commercial paper program and bank and letter of credit facilities will be sufficient to fund our future liquidity requirements and that we will be able to adjust the amounts available under these facilities if necessary.

1998 VS. 1997

In 1998, we used our net cash provided by operating activities and a portion of our cash and marketable securities balances to fund our cash requirements. Our cash and marketable securities declined to \$230 million at year end 1998 from \$360 million at year end 1997, and we ended the year with no debt outstanding. This decrease in cash of \$130 million was used primarily to fund our investments in working capital and fixed assets and the repurchase of \$116 million of common stock.

Net cash provided by operating activities was \$132 million in 1998, compared to \$145 million in 1997. This \$13 million decrease in cash flow reflected increased cash used to fund our \$107 million investment in net working capital offset by a \$10 million increase in cash generated from higher depreciation and amortization expense.

Accounts receivable increased 39% in 1998 over 1997 reflecting higher net sales and a change in the timing of customer deductions for allowances in the fourth quarter 1998 compared to 1997.

Inventory increased 19.9% in 1998 over 1997 reflecting higher than required essential and replenishment inventory levels in Wholesale Apparel. In late 1998, we began implementing inventory management initiatives designed to improve our inventory turnover rate for essential and replenishment inventory. The increase also reflected the start-up of the DKNY(R) JEANS business, increased outlet inventory levels and higher levels of prior season merchandise. The increase in our average inventory levels in 1998 relative to our sales increase had a negative impact on our 1998 inventory turnover rate compared to 1997.

Net cash provided by investing activities was \$26 million in 1998, compared to net cash used in investing activities of \$57 million in 1997. This \$83 million increase in cash flow reflected net disposals of investments of \$155 million in 1998, compared to net purchases of investments of \$13 million in 1997, partially offset by an additional \$81 million of cash used to fund increased capital expenditures due primarily to our transformation initiatives and the purchases of trademarks and licenses, which included the payment for our DKNY(R) JEANS license, in 1998 over 1997.

Net cash used in financing activities was \$131 million in 1998, compared to \$274 million in 1997. This \$143 million increase in cash flow reflected a decrease of \$142 million in the amount of stock repurchased in 1998 compared to 1997. In 1998, we expended or committed to expend, through the sale of put warrants, \$136 million under our stock repurchase program.

At year end 1998, we had \$220 million outstanding under our trade letter of credit facilities.

YEAR 2000 ISSUE/INFORMATION SYSTEMS UPGRADE

Many existing computer systems, software products, and other systems using embedded chips, including many used by us, accepted only two digit entries in the date code field. Beginning in the year 2000, and in certain instances prior to the year 2000, these date code fields needed to accept four digit entries to distinguish 21st century dates from 20th century dates. As a result, our date critical functions were at risk of being materially adversely affected unless these computer systems, software products and other systems became able to accept four digit entries ("year 2000 compliant").

In 1999, we completed a comprehensive upgrade of our management information systems, which involved substantial changes to our legacy computer systems and software, and was designed to provide certain competitive benefits and result in our information systems being year 2000 compliant. The full implementation of these changes was completed in 1999 and involved a commitment of approximately \$74 million over a four year period. Approximately \$58 million of such amount was in the form of capital expenditures, with the remaining \$16 million expensed as incurred. We have not experienced any material Y2K problems since the date change on January 1, 2000. However, there can be no assurance that problems will not arise for us, our suppliers, our customers or others with whom we do business later in 2000. We intend to continue to monitor our compliance, as well as the compliance of others whose operations are material to our business.

CERTAIN INTEREST RATE AND FOREIGN CURRENCY RISKS

We finance our capital needs through available cash and marketable securities, operating cash flow, letter of credit and bank revolving credit facilities and commercial paper issuances. Our floating rate bank revolving credit facility and commercial paper program expose us to market risk for changes in interest rates.

We mitigate the risks associated with changes in foreign currency rates through foreign exchange forward contracts to hedge transactions denominated in foreign currencies for periods of less than one year and to hedge expected payment of intercompany transactions with our non-U.S. subsidiaries. Gains and losses on contracts, which hedge specific foreign currency denominated commitments are recognized in the period in which the transaction is completed.

The table below presents the amount of contracts outstanding, the contract rate and unrealized gain or (loss), as of January 1, 2000:

\$ IN THOUSANDS	U.S. DOLLAR AMOUNT	CONTRACT RATE	UNREALIZED GAIN (LOSS)
- - - - -	- - - - -	- - - - -	- - - - -
Canadian dollars	\$17,183	.6851	(\$167)
British pound sterling	\$ 4,882	1.6100	\$ 15

In June 1998, the Financial Accounting Standards Board issued statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 will be effective prospectively for the Company's financial statements in the year 2001. The Company is currently analyzing the impact of this new pronouncement on its financial position and results of operations. See Note 1 of Notes to Consolidated Financial Statements.

INFLATION

The rate of inflation over the past few years has not had a significant impact on our sales or profitability.

FORWARD LOOKING STATEMENTS

Statements contained herein and in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases, and in oral statements made by or with the approval of authorized personnel that relate to the Company's future performance, including, without limitation, statements with respect to the Company's anticipated results of operations or level of business for 2000 or any other future period, are forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as a number of factors affecting the Company's business and operations could cause actual results to differ materially from those contemplated by the forward-looking statements. Such statements are based on current expectations only, and are subject to certain risks, uncertainties and assumptions, referred to below, including but not limited to economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices, and are indicated by words or phrases such as "plan", "anticipate", "estimate", "project", "management expects", "the Company believes", "is or remains optimistic" or "currently envisions" and similar words or phrases. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected.

These factors include, among others, changes in regional, national, and global economic conditions; risks associated with changes in the competitive marketplace, including the levels of consumer confidence and spending, and the financial condition of the apparel industry and the retail industry, retailer or consumer acceptance of the Company's products as a result of fashion trends or otherwise and the introduction of new products or pricing changes by the Company's competitors; risks associated with the Company's dependence on sales to a limited number of large department store customers including risks related to customer requirements for vendor margin support, and those related to extending credit to customers; risks associated with year 2000 related issues that may arise with the Company, third party customers or suppliers in connection with systems that have not been fully tested; uncertainties relating to the Company's ability to successfully implement its growth strategies or integrate acquisitions; risks associated with the possible inability of the Company's unaffiliated manufacturers to manufacture and deliver products in a timely manner, to meet quality standards or to comply with the Company's policies regarding labor practices; and risks associated with changes in social, political, economic and other conditions affecting foreign operations and sourcing.

With respect to foreign sourcing, the Company notes that legislation which would further restrict the importation and/or increase the cost of textiles and apparel produced abroad has periodically been introduced in Congress. Although it is unclear whether any new legislation will be enacted into law, it appears likely that various new legislative or executive initiatives will be proposed. These initiatives may include a reevaluation of the trading status of certain countries, including Normal Trade Relations ("NTR") treatment for the People's Republic of China ("PRC") and/or retaliatory duties, quotas or other trade sanctions, which, if enacted, would increase the cost of products purchased from suppliers in such countries. The PRC's NTR treatment was renewed in July 1999 for an additional year. In light of the very substantial portion of the Company's products, which are manufactured by foreign suppliers, the enactment of new legislation or the administration of current international trade regulations, or executive action affecting international textile agreements could adversely affect the Company's operations. Reference is also made to the other economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices as are set forth in this Annual Report on Form 10-K, including, without limitation, those set forth in "Item 1-Business-Competition; Certain Risks". The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See the "Index to Consolidated Financial Statements and Schedules" appearing at the end of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

With respect to Executive Officers of the Company, see Part I of this Annual Report on Form 10-K.

Information with respect to Directors of the Company which is called for by this Item 10 is incorporated by reference to the information set forth under the heading "Election of Directors" in the Company's Proxy Statement relating to its 2000 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A (the "Company's 2000 Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION.

Information called for by this Item 11 is incorporated by reference to the information set forth under the heading "Executive Compensation" in the Company's 2000 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information called for by this Item 12 is incorporated by reference to the information set forth under the headings "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" in the Company's 2000 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information called for by this Item 13 is incorporated by reference to the information set forth under the headings "Proposal 1-Election of Directors" and "Executive Compensation-Employment Arrangements" in the Company's 2000 Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a)	1. Financial Statements.	PAGE REFERENCE

		1999 FORM 10-K

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	NOTE: Schedules other than those referred to above and parent company condensed financial statements have been omitted as inapplicable or not required under the instructions contained in Regulation S-X or the information is included elsewhere in the financial statements or the notes thereto.	

3. Exhibits.

EXHIBIT NO. -----	DESCRIPTION -----
3(a)	- Restated Certificate of Incorporation of Registrant (incorporated herein by reference from Exhibit 3(a) to Registrant's Quarterly Report on Form 10-Q for the period ended June 26, 1993).
3(b)	- By-laws of Registrant, as amended (incorporated herein by reference from Exhibit 3(b) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 26, 1992 [the "1992 Annual Report"]).
4(a)	- Specimen certificate for Registrant's Common Stock, par value \$1.00 per share (incorporated herein by reference from Exhibit 4(a) to the 1992 Annual Report).
4(b)	- Rights Agreement, dated as of December 4, 1998, between Registrant and First Chicago Trust Company of New York, as Rights Agent (incorporated herein by reference from Exhibit 1 to Registrant's Form 8-A dated as of December 4, 1998).
10(a)	- Reference is made to Exhibit 4(b) filed hereunder, which is incorporated herein by this reference.
10(b)+	- Liz Claiborne, Inc. 1984 Stock Option Plan (incorporated herein by reference from Exhibit 10(hh) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1983 [the "1983 Annual Report"]).
10(b)(i)+	- Amendment to the 1984 Stock Option Plan (incorporated herein by reference from Exhibit 10(d)(i) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1988).
10(c)+	- Form of Option Agreement under Liz Claiborne, Inc. 1984 Stock Option Plan (the "1984 Option Plan") (incorporated herein by reference from Exhibit 10(nn) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 1984).
10(c)(i)+	- Amended Form of Option Agreement under the 1984 Option Plan (incorporated herein by reference from Exhibit 10(e)(i) to the 1992 Annual Report).
10(d)+	- Liz Claiborne Savings Plan (the "Savings Plan"), as amended and restated (incorporated herein by reference from Exhibit 10(f) to Registrant's Annual report on Form 10-K for the fiscal year ended December 30, 1989 [the "1989 Annual Report"]).
10(d)(i)+	- Trust Agreement dated as of July 1, 1994, between Liz Claiborne, Inc. and IDS Trust Company (incorporated herein by reference from Exhibit 10(b) to Registrant's Quarterly Report on Form 10-Q for the period ended July 2, 1994).
10(e)+	- Amendment Nos. 1 and 2 to the Savings Plan (incorporated herein by reference from Exhibit 10(g) to the 1992 Annual Report).
10(e)(i)+	- Amendment Nos. 3 and 4 to the Savings Plan (incorporated herein by reference from Exhibit 10(g)(i) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 26, 1993 [the "1993 Annual Report"]).
+	Compensation plan or arrangement required to be noted as provided in Item 14(a)(3).

EXHIBIT NO. -----	DESCRIPTION -----
10(e)(ii)+	- Amendment No. 5 to the Savings Plan (incorporated herein by reference from Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the period ended July 2, 1994).
10(e)(iii)+	- Amendment No. 6 to the Savings Plan (incorporated herein by reference from Exhibit 10(e)(iii) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 28, 1996 [the "1996 Annual Report"]).
10(e)(iv)+	- Amendment No. 7 to the Savings Plan (incorporated herein by reference from Exhibit 10(e)(iv) to the 1996 Annual Report).
10(e)(v)+	- Amendment No. 8 to the Savings Plan (incorporated herein by reference from Exhibit 10(e)(v) to Registrant's Annual Report on Form 10-K for the fiscal year ended January 3, 1998 [the "1997 Annual Report"]).
10(e)(vi)+	- Amendment No. 9 to the Savings Plan (incorporated herein by reference from Exhibit 10(e)(vi) to Registrant's Annual Report on Form 10-K for the fiscal year ended January 2, 1999 [the "1998 annual report"])
10(f)+	- Amended and Restated Liz Claiborne Profit-Sharing Retirement Plan (the "Profit-Sharing Plan") (incorporated herein by reference from Exhibit 10(h) to the 1992 Annual Report).
10(g)+	- Trust Agreement related to the Profit-Sharing Plan (incorporated herein by reference from Exhibit 10(jj) to the 1983 Annual Report).
10(g)(i)+	- Amendment Nos. 1 and 2 to the Profit-Sharing Plan (incorporated herein by reference from Exhibit 10(i)(i) to the 1993 Annual Report).
10(g)(ii)+	- Amendment No. 3 to the Profit-Sharing Plan (incorporated herein by reference from Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the period ended October 1, 1994).
10(g)(iii)+	- Amendment No. 4 to the Profit-Sharing Plan (incorporated herein by reference from Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the period ended July 1, 1995).
10(g)(iv)+	- Amendment No. 5 to the Profit-Sharing Plan (incorporated herein by reference from Exhibit 10(g)(iv) to the 1996 Annual Report).
10(g)(v)+	- Amendment No. 6 to the Profit-Sharing Plan (incorporated herein by reference from Exhibit 10(g)(v) to the 1998 Annual Report).
10(h)+*	- Merger Amendment to the Profit-Sharing Plan, the Lucky Brand Employee Retirement Plan and Trust, the Segrets, Inc. 401(k) Profit Sharing Plan and the Savings Plan.
10(i)	- National Collective Bargaining Agreement, made and entered into as of June 1, 1997, by and between Liz Claiborne, Inc. and the Union of Needletrades, Industrial and Textile Employees (UNITE) for the period June 1, 1997 through May 31, 2000 (incorporated herein by reference from Exhibit 10(h) to the 1997 Annual Report).
10(i)(i)	- Jobbers Agreement, made and entered into as of June 1, 1997, by and between Liz Claiborne, Inc. and the Union of Needletrades, Industrial and Textile Employees (UNITE) for the period June 1, 1997 through May 31, 2000 (incorporated herein by reference from Exhibit 10(h)(i) to the 1997 Annual Report).
+	Compensation plan or arrangement required to be noted as provided in Item 14(a)(3).
*	Filed herewith.

EXHIBIT NO. -----	DESCRIPTION -----
10(j)+*	- Description of Liz Claiborne, Inc. 1999 Salaried Employee Incentive Bonus Plan.
10(k)	- Lease, dated as of January 1, 1990 (the "1441 Lease"), for premises located at 1441 Broadway, New York, New York between Registrant and Lechar Realty Corp. (incorporated herein by reference from Exhibit 10(n) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 1990).
10(k)(i)+*	- First Amendment: Lease Extension and Modification Agreement, dated as of January 1, 1998, to the 1441 Lease.
10(k)(ii)+*	- Second Amendment to Lease, dated as of September 19, 1998, to the 1441 Lease.
10(k)(iii)+*	- Third Amendment to Lease, dated as of September 24, 1999, to the 1441 Lease.
10(l)+	- Liz Claiborne, Inc. Amended and Restated Outside Directors' 1991 Stock Ownership Plan (the "Outside Directors' 1991 Plan") (incorporated herein by reference from Exhibit 10(m) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 30, 1995 [the "1995 Annual Report"]).
10(l)(i)+	- Form of Option Agreement under the Outside Directors' 1991 Plan (incorporated herein by reference from Exhibit 10(m)(i) to the 1996 Annual Report).
10(m)+	- Liz Claiborne, Inc. 1992 Stock Incentive Plan (the "1992 Plan") (incorporated herein by reference from Exhibit 10(p) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 28, 1991).
10(m)(i)+	- Amendment No. 1 to the 1992 Plan (incorporated herein by reference from Exhibit 10(p)(i) to the 1993 Annual Report).
10(m)(ii)+	- Amendment No. 2 to the 1992 Plan (incorporated herein by reference from Exhibit 10(n)(ii) to the 1997 Annual Report).
10(m)(iii)+	- Amendment No. 3 to the 1992 Plan (incorporated herein by reference from Exhibit 10(n)(iii) to the 1998 Annual Report).
10(n)+	- Form of Option Agreement under the 1992 Plan (incorporated herein by reference from Exhibit 10(r) to the 1992 Annual Report).
10(o)+	- Form of Option Grant Certificate under the 1992 Plan (incorporated herein by reference from Exhibit 10(q) to the 1996 Annual Report).
10(p)+	- Form of Restricted Career Share Agreement under the 1992 Plan (incorporated herein by reference from Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 1995).
10(q)+	- Form of Restricted Transformation Share Agreement under the 1992 Plan (incorporated herein by reference from Exhibit 10(s) to the 1997 Annual Report).
+	Compensation plan or arrangement required to be noted as provided in Item 14(a)(3).
*	Filed herewith.

EXHIBIT NO. -----	DESCRIPTION -----
10(r)+*	- Description of Supplemental Life Insurance Plans.
10(s)+	- Description of unfunded death/disability benefits for certain executives (incorporated herein by reference from Exhibit 10(u) to the 1992 Annual Report).
10(t)+*	- Amended and Restated Liz Claiborne Section 162(m) Cash Bonus Plan.
10(u)+	- Liz Claiborne, Inc. Supplemental Executive Retirement Plan (as amended and restated effective as of January 1, 1997) (incorporated herein by reference from Exhibit 10(w) to the 1996 Annual Report).
10(v)+	- The Liz Claiborne, Inc. Bonus Deferral Plan (incorporated herein by reference from Exhibit 10(x) to the 1996 Annual Report).
10(w)+	- Employment Agreement dated as of May 9, 1994, between Registrant and Paul R. Charron (the "Charron Agreement") (incorporated herein by reference from Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the period ended April 2, 1994).
10(w)(i)+	- Amendment to the Charron Agreement, dated as of November 20, 1995, (incorporated herein by reference from Exhibit 10(x)(i) to the 1995 Annual Report).
10(w)(ii)+	- Amendment to the Charron Agreement, dated as of September 19, 1996, (including the Liz Claiborne Retirement Income Accumulation Plan for the benefit of Mr. Charron) (incorporated herein by reference from Exhibit 10(y)(ii) to the 1996 Annual Report).
10(x)+	- Employment Agreement dated as of September 26, 1996 between Registrant and Denise V. Seegal (the "Seegal Agreement") (incorporated herein by reference from Exhibit 10(z) to the 1996 Annual Report).
10(x)(i)+*	- Amendment to the Seegal Agreement, dated as of February 18, 2000.
10(y)+*	- Credit Agreement, dated as of December 6, 1999, among Registrant, various lending parties and The Chase Manhattan Bank (as administrative agent).
21*	- List of Registrant's Subsidiaries.
23*	- Consent of Independent Public Accountants.
27*	- Financial Data Schedule.
99*	- Undertakings.
(b)	- Reports on Form 8-K. Not Applicable.
+	Compensation plan or arrangement required to be noted as provided in Item 14(a)(3).
*	Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on March 31, 2000.

LIZ CLAIBORNE, INC.

By: /s/ Richard F. Zannino

Richard F. Zannino,
Senior Vice President - Finance &
Administration, Chief Financial
Officer (principal financial officer)

By: /s/ Elaine H. Goodell

Elaine H. Goodell,
Vice President-Corporate Controller
and Chief Accounting Officer
(principal accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities indicated, on March 31, 2000.

SIGNATURE -----	TITLE -----
/s/ Paul R. Charron ----- Paul R. Charron	Chairman of the Board, Chief Executive Officer and Director (principal executive officer)
/s/ Bernard W. Aronson ----- Bernard W. Aronson	Director
/s/ Roger N. Farah ----- Roger N. Farah	Director
/s/ Raul J. Fernandez ----- Raul J. Fernandez	Director
/s/ Ann M. Fudge ----- Ann M. Fudge	Director
/s/ J. James Gordon ----- J. James Gordon	Director
/s/ George L. Jones ----- George L. Jones	Director
/s/ Nancy J. Karch ----- Nancy J. Karch	Director
/s/ Kenneth P. Kopelman ----- Kenneth P. Kopelman	Director
/s/ Kay Koplovitz ----- Kay Koplovitz	Director
/s/ Christine A. Poon ----- Christine A. Poon	Director
/s/ Paul E. Tierney, Jr. ----- Paul E. Tierney, Jr.	Director

LIZ CLAIBORNE, INC. AND SUBSIDIARIES

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NOTE: Schedules other than those referred to above and parent company condensed financial statements have been omitted as inapplicable or not required under the instructions contained in Regulation S-X or the information is included elsewhere in the financial statements or the notes thereto.

MANAGEMENT'S REPORT

The management of Liz Claiborne, Inc. is responsible for the preparation, objectivity and integrity of the consolidated financial statements and other information contained in this Annual Report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include some amounts that are based on management's informed judgments and best estimates.

To help assure that financial information is reliable and assets are safeguarded, management maintains a system of internal controls and procedures which we believe is effective in accomplishing these objectives. These controls and procedures are designed to provide reasonable assurance, at appropriate costs, that transactions are executed and recorded in accordance with management's authorization.

The independent public accountants have audited our consolidated financial statements as described in their report. In the course of their audits, the independent public accountants have developed an overall understanding of the Company's accounting and financial controls and have conducted other tests as they considered necessary to support their opinion on the financial statements. The independent public accountants report their findings and recommendations to management and the Audit Committee of the Board of Directors. Control procedures are implemented or revised as appropriate to respond to these recommendations. There have not been any material control weaknesses brought to the attention of management or the Audit Committee during the periods covered by the report of the independent public accountants. However, in as much as the independent public accountants' audits consisted of selected tests of control policies and procedures and did not cover the entire system of internal control, they would not necessarily disclose all weaknesses which might exist.

The Audit Committee, which consists solely of non-management directors, meets with the independent public accountants, internal auditors and management periodically to review their respective activities and the discharge of their respective responsibilities. Both the independent public accountants and the internal auditors have unrestricted access to the Audit Committee, with or without management, to discuss the scope and results of their audits and any recommendations regarding the system of internal controls.

/s/Paul R. Charron

Paul R. Charron
Chairman of the Board
and Chief Executive Officer

/s/Richard F. Zannino

Richard F. Zannino
Senior Vice President, Finance and
Administration, Chief Financial Officer

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of Liz Claiborne, Inc.:

We have audited the accompanying consolidated balance sheets of Liz Claiborne, Inc. (a Delaware corporation) and subsidiaries as of January 1, 2000 and January 2, 1999, and the related consolidated statements of income, retained earnings, comprehensive income and changes in capital accounts and cash flows for each of the three fiscal years in the period ended January 1, 2000. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Liz Claiborne, Inc. and subsidiaries as of January 1, 2000 and January 2, 1999, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 1, 2000 in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index to consolidated financial statements and schedules is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/Arthur Andersen LLP
New York, New York
February 21, 2000

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CONSOLIDATED BALANCE SHEETS
LIZ CLAIBORNE, INC. AND SUBSIDIARIES
All amounts in thousands except share data

	JANUARY 1, 2000	JANUARY 2, 1999
	-----	-----
Assets		
Current Assets:		
Cash and cash equivalents	\$ 37,940	\$ 164,659
Marketable securities	--	65,625
Accounts receivable - trade	298,924	252,045
Inventories	418,348	475,077
Deferred income tax benefits	27,764	35,695
Other current assets	75,633	82,192
	-----	-----
Total current assets	858,609	1,075,293
Property and Equipment - Net	284,171	257,362
Goodwill and intangibles - Net	227,663	47,017
Other Assets	41,358	13,119
	-----	-----
	\$ 1,411,801	\$ 1,392,791
	=====	=====
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts Payable	\$ 184,556	\$ 223,400
Accrued Expenses	160,220	128,917
Income taxes payable	7,535	11,034
	-----	-----
Total current liabilities	352,311	363,351
Long Term Debt	116,085	--
Other Non Current Liabilities	15,000	--
Deferred Income Taxes	23,111	17,536
Commitments and Contingencies		
Minority Interest	3,125	--
Put Warrants	--	30,794
Stockholders' Equity:		
Preferred stock, \$.01 par value, authorized shares - 50,000,000, issued shares - none	--	--
Common stock, \$1 par value, authorized shares - 250,000,000, issued shares - 88,218,617	88,219	88,219
Capital in excess of par value	80,257	50,428
Retained earnings	1,827,720	1,662,235
Accumulated other comprehensive loss	(3,263)	(2,721)
	-----	-----
	1,992,933	1,798,161
Common stock in treasury, at cost - 31,498,577 shares in 1999 and 24,267,957 shares in 1998	(1,090,764)	(817,051)
	-----	-----
Total stockholders' equity	902,169	981,110
	-----	-----
	\$ 1,411,801	\$ 1,392,791
	=====	=====

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME
LIZ CLAIBORNE, INC. AND SUBSIDIARIES

All dollar amounts in thousands except per common share data	FISCAL YEARS ENDED		
	(52 WEEKS) JANUARY 1, 2000	(52 WEEKS) JANUARY 2, 1999	(53 WEEKS) JANUARY 3, 1998
Net Sales	\$2,806,548	\$2,535,268	\$2,412,601
Cost of goods sold	1,708,966	1,538,166	1,442,943
Gross Profit	1,097,582	997,102	969,658
Selling, general and administrative expenses	797,829	712,424	692,363
Restructuring charge	--	27,000	--
Operating Income	299,753	257,678	277,295
Investment and other income - net	1,833	8,999	15,849
Income Before Provision for Income Taxes	301,586	266,677	293,144
Provision for income taxes	109,144	97,300	108,500
Net Income	\$ 192,442	\$ 169,377	\$ 184,644
Net Income per Common Share:			
Basic	\$ 3.13	\$ 2.59	\$ 2.65
Diluted	\$ 3.12	\$ 2.57	\$ 2.63
Dividends Paid per Common Share	\$.45	\$.45	\$.45

The accompanying notes to consolidated financial statements are an integral part of these statements.

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Consolidated Statements of Retained Earnings, Comprehensive Income and Changes
in Capital Accounts
Liz Claiborne, Inc. and Subsidiaries

All dollar amounts in thousands	COMMON STOCK		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)
	Number of Shares	Amount			
BALANCE, DECEMBER 28, 1996	88,218,617	\$88,219	\$38,577	\$1,382,628	(\$4,692)
Net income	--	--	--	184,644	--
Other comprehensive income (loss), net of tax:					
Translation adjustment	--	--	--	--	1,638
Adjustment to unrealized gains (losses) on available for sale securities	--	--	--	--	1,347
Total comprehensive income	--	--	--	--	--
Exercise of stock options and related tax benefits	--	--	3,670	638	--
Cash dividends declared	--	--	--	(31,162)	--
Proceeds from sale of put warran	--	--	6,607	--	--
Reclassification of put warrant obligations, net	--	--	(18,123)	--	--
Purchase of 5,382,600 shares of common stock	--	--	--	--	--
Issuance of common stock under restricted stock and employment agreements, net	--	--	--	4,180	--
BALANCE, JANUARY 3, 1998	88,218,617	88,219	30,731	1,540,928	(1,707)
Net income	--	--	--	169,377	--
Other comprehensive income (loss), net of tax:					
Translation adjustment	--	--	--	--	(348)
Adjustment to unrealized gains (losses) on available for sale securities	--	--	--	--	(666)
Total comprehensive income	--	--	--	--	--
Exercise of stock options and related tax benefits	--	--	4,801	(8,006)	--
Cash dividends declared	--	--	--	(29,327)	--
Proceeds from sale of put warran	--	--	231	--	--
Reclassification of put warrant obligations, net	--	--	14,665	--	--
Purchase of 3,092,513 shares of common stock	--	--	--	--	--
Issuance of common stock under restricted stock and employment agreements, net	--	--	--	(10,737)	--
BALANCE, JANUARY 2, 1999	88,218,617	88,219	50,428	1,662,235	(2,721)

All dollar amounts in thousands	TREASURY SHARES		
	Number of Shares	Amount	Total
BALANCE, DECEMBER 28, 1996	17,212,585	(\$484,240)	\$1,020,492
Net income	--	--	184,644
Other comprehensive income (loss), net of tax:			
Translation adjustment	--	--	1,638
Adjustment to unrealized gains (losses) on available for sale securities	--	--	1,347
Total comprehensive income	--	--	187,629
Exercise of stock options and related tax benefits	(557,842)	14,564	18,872
Cash dividends declared	--	--	(31,162)
Proceeds from sale of put warran	--	--	6,607

Reclassification of put warrant obligations, net	--	--	(18,123)
Purchase of 5,382,600 shares of common stock	5,382,600	(264,852)	(264,852)
Issuance of common stock under restricted stock and employment agreements, net	82,962	(2,016)	2,164
 BALANCE, JANUARY 3, 1998	 22,120,305	 (736,544)	 921,627
 Net income	 --	 --	 169,377
Other comprehensive income (loss), net of tax:			
Translation adjustment	--	--	(348)
Adjustment to unrealized gains (losses) on available for sale securities	--	--	(666)
Total comprehensive income	--	--	168,363
Exercise of stock options and related tax benefits	(562,929)	22,330	19,125
Cash dividends declared	--	--	(29,327)
Proceeds from sale of put warrant	--	--	231
Reclassification of put warrant obligations, net	--	--	14,665
Purchase of 3,092,513 shares of common stock	3,092,513	(116,618)	(116,618)
Issuance of common stock under restricted stock and employment agreements, net	(381,932)	13,781	3,044
 BALANCE, JANUARY 2, 1999	 24,267,957	 (817,051)	 981,110

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Consolidated Statements of Retained Earnings, Comprehensive Income and Changes
in Capital Accounts (continued)
Liz Claiborne, Inc. and Subsidiaries

All dollar amounts in thousands	COMMON STOCK		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)
	Number of Shares	Amount			
BALANCE, JANUARY 2, 1999	88,218,617	88,219	50,428	1,662,235	(2,721)
Net income	--	--	--	192,442	--
Other comprehensive income (loss), net of tax:					
Translation adjustment	--	--	--	--	(431)
Adjustment to unrealized gains (losses) on available for sale securities	--	--	--	--	(111)
Total comprehensive income	--	--	--	--	191,900
Exercise of stock options and related tax benefits	--	--	1,031	(2,799)	--
Cash dividends declared	--	--	--	(27,821)	--
Exercise of put warrants	--	--	(1,996)	--	--
Reclassification of put warrant obligations, net	--	--	30,794	--	--
Purchase of 7,388,300 shares of common stock	--	--	--	--	--
Issuance of common stock under restricted stock and employment agreements, net	--	--	--	3,663	--
BALANCE, JANUARY 1, 2000	88,218,617	\$88,219	\$80,257	\$1,827,720	(\$3,263)

All dollar amounts in thousands	TREASURY SHARES		Total
	Number of Shares	Amount	
BALANCE, JANUARY 2, 1999	24,267,957	(817,051)	981,110
Net income	--	--	192,442
Other comprehensive income (loss), net of tax:			
Translation adjustment	--	--	(431)
Adjustment to unrealized gains (losses) on available for sale securities	--	--	(111)
Total comprehensive income	--	--	191,900
Exercise of stock options and related tax benefits	(219,306)	7,976	6,208
Cash dividends declared	--	--	(27,821)
Exercise of put warrants	--	1,996	0
Reclassification of put warrant obligations, net	--	--	30,794
Purchase of 7,388,300 shares of common stock	7,388,300	(281,167)	(281,167)
Issuance of common stock under restricted stock and employment agreements, net	61,626	(2,518)	1,145
BALANCE, JANUARY 1, 2000	31,498,577	(\$1,090,764)	\$902,169

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOW
LIZ CLAIBORNE, INC. AND SUBSIDIARIES

All dollar amounts in thousands	FISCAL YEARS ENDED		
	(52 WEEKS) JANUARY 1, 2000	(52 WEEKS) JANUARY 2, 1999	(53 WEEKS) JANUARY 3, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 192,442	\$ 169,377	\$ 184,644
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	67,836	55,785	46,024
Other-net	7,797	14,285	8,103
Change in current assets and liabilities:			
(Increase) in accounts receivable - trade	(39,996)	(70,742)	(23,135)
Decrease (increase) in inventories	80,438	(78,828)	(46,822)
Decrease (increase) in deferred income tax benefits	9,839	(3,654)	(888)
Decrease (increase) in other current assets	10,513	6,501	(14,481)
(Decrease) increase in accounts payable	(43,489)	49,588	10,146
Increase (decrease) in accrued expenses	11,822	(6,356)	(22,809)
(Decrease) increase in income taxes payable	(3,499)	(3,995)	4,267
Net cash provided by operating activities	293,703	131,961	145,049
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of investment instruments	--	(217,083)	(370,546)
Disposals of investment instruments	65,459	371,741	357,162
Purchases of property and equipment	(75,130)	(88,496)	(34,037)
Purchases of trademarks and licenses	(6,400)	(30,000)	(3,750)
Purchase of restricted equity investment	(29,000)	--	--
Payments for acquisitions, net of cash acquired	(177,825)	--	--
Other-net	(9,369)	(9,911)	(6,027)
Net cash (used in) provided by investing activities	(232,265)	26,251	(57,198)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Commercial paper - net	116,085	--	--
Proceeds from exercise of common stock options	5,177	14,324	15,222
Dividends paid	(27,821)	(29,327)	(31,162)
Purchase of common stock, net of put warrant premiums	(281,167)	(116,387)	(258,245)
Net cash used in financing activities	(187,726)	(131,390)	(274,185)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(431)	(348)	1,638
NET CHANGE IN CASH AND CASH EQUIVALENTS	(126,719)	26,474	(184,696)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	164,659	138,185	322,881
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 37,940	\$ 164,659	\$ 138,185

The accompanying notes to consolidated financial statements are an integral part of these statements.

NOTE 1: SIGNIFICANT ACCOUNTING
POLICIES

PRINCIPLES OF CONSOLIDATION

Liz Claiborne, Inc. is engaged primarily in the design and marketing of a broad range of apparel, accessories and fragrances. The Company's products are sold principally in the United States. The consolidated financial statements include the accounts of Liz Claiborne, Inc. and its wholly-owned and majority owned subsidiaries (the "Company"). All intercompany balances and transactions have been eliminated in consolidation. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent gains and losses at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

All highly liquid investments with a remaining maturity of three months or less at the date of purchase are classified as cash equivalents.

MARKETABLE SECURITIES

Investments are stated at market. The estimated fair value of the marketable securities is based on quoted prices in an active market. Gains and losses on investment transactions are determined using the specific identification method and are recognized in income based on settlement dates. Unrealized gains and losses are included in accumulated other comprehensive income (loss) until realized. Dividends on equity securities are recorded in income based on payment dates. Interest is recognized when earned.

INVENTORIES

Inventories are stated at the lower of cost (using the first-in, first-out method) or market.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost less accumulated depreciation and amortization. Buildings and building improvements are depreciated using the straight-line method over their estimated useful lives of 20 to 39 years. Machinery and equipment and furniture and fixtures are depreciated using the straight-line method over their estimated useful lives of five to seven years. Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful lives of the assets. The Company adopted Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," effective January 4, 1998. This SOP provides guidance on accounting for the costs of computer software developed or obtained for internal use. This SOP requires that entities capitalize certain internal-use software costs once certain criteria are met. Prior to 1998, the Company expensed the costs of developing or obtaining internal-use software as incurred. The amount of internal-use software costs capitalized were \$7.8 in 1999 and \$7.9 in 1998.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
LIZ CLAIBORNE, INC. AND SUBSIDIARIES

GOODWILL AND INTANGIBLES

Goodwill and intangibles on the Consolidated Balance Sheets consist principally of goodwill, which is amortized on the straight-line method over a period of 20 to 25 years. Goodwill was \$174.3 million, net of accumulated amortization of \$3.6 million as of January 1, 2000. There was no goodwill recorded as of January 2, 1999. Also included are trademarks owned or licensed, which are amortized on a basis consistent with the projected revenue stream of 15 to 25 years and amounted to \$53.4 million in 1999 and \$45.1 million in 1998, net of accumulated amortization of \$5.1 million as of January 1, 2000 and \$3.9 million as of January 2, 1999.

The recoverability of the carrying values of intangible assets is evaluated periodically based on a review of forecasted operating cash flows and the profitability of the related business. For the three-year period ended January 1, 2000, there were no material adjustments to the carrying values of intangible assets resulting from these evaluations.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of non-U.S. subsidiaries have been translated at year-end exchange rates. Revenues and expenses have been translated at average rates of exchange in effect during the year. Resulting translation adjustments have been included in accumulated other comprehensive loss on the Consolidated Balance Sheets. Gains and losses on translation of intercompany loans with foreign subsidiaries of a long-term investment nature are also included in this component of stockholders' equity.

ACCOUNTING FOR DERIVATIVE
INSTRUMENTS AND HEDGING ACTIVITIES

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. SFAS No. 133 will be effective, prospectively for the Company's financial statements in the year 2001. The Company is currently analyzing the impact of this new pronouncement on its financial position and results of operations.

FOREIGN EXCHANGE FORWARD CONTRACTS

The Company enters into foreign exchange forward contracts to hedge transactions denominated in foreign currencies for periods of less than one year and to hedge expected payment of intercompany transactions with its non-U.S. subsidiaries. Gains and losses on contracts which hedge specific foreign currency denominated commitments are recognized in the period in which the transaction is completed and are accounted for as part of the underlying transaction. Transaction gains and losses included in income were not significant in fiscal 1999, 1998 and 1997. As of January 1, 2000, the Company had forward contracts maturing through July 2000 to sell 25.0 million Canadian dollars and 3.0 million British pounds sterling. The aggregate U.S. dollar value of the foreign exchange contracts was approximately \$22.1 million at year end 1999, as compared with approximately \$8.8 million at year end 1998. Unrealized gains and losses for outstanding foreign exchange forward contracts were not material at January 1, 2000 and January 2, 1999.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
LIZ CLAIBORNE, INC. AND SUBSIDIARIES

REVENUE RECOGNITION

Revenue within wholesale operations is recognized at the time merchandise is shipped from the Company's distribution centers. Retail store revenues are recognized at the time of sale. All revenue is net of returns.

ADVERTISING AND PROMOTION

All costs associated with advertising and promoting products are expensed when the advertising takes place. Costs associated with cooperative advertising programs, under which the Company generally shares the costs of each customer's advertising and promotional expenditures up to a stated percentage of the customer's purchases, are expensed when the related revenues are recognized. Advertising and promotion expenses were \$104 million in 1999, and \$89 million in 1998 and 1997.

EARNINGS PER COMMON SHARE

Earnings per common share have been computed in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share," which was adopted by the Company at the end of the 1997 fiscal year, using the weighted average number of shares outstanding during each period. Shares subject to unexercised stock options and put warrants were included in the diluted earnings per share calculation using the treasury stock method (see Note 14 of Notes to Consolidated Financial Statements).

FISCAL YEAR

The Company's fiscal year ends on the Saturday closest to December 31. The 1999 and 1998 fiscal years reflected a 52-week period, while the 1997 fiscal year reflected a 53-week period.

PRIOR YEARS' RECLASSIFICATION

Certain items previously reported in specific captions in the accompanying financial statements have been reclassified to conform with the current year's classifications.

NOTE 2: ACQUISITIONS

On November 2, 1999, the Company completed the purchase of the entire equity interest of Podell Industries, Inc., whose core business consists of the Laundry by Shelli Segal apparel line. Laundry is marketed primarily to select department and specialty stores. The acquisition was accounted for using the purchase method of accounting. The total purchase price of Laundry, including the repayment of indebtedness, was approximately \$41.2 million, which may be increased to a maximum of approximately \$44.7 million based on the achievement of certain earnings targets and other factors. The excess purchase price over the fair market value of the underlying net assets was allocated to goodwill and property based on preliminary estimates of fair values and is subject to adjustment. The

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
LIZ CLAIBORNE, INC. AND SUBSIDIARIES

estimated fair value of assets acquired was \$6.5 million, and estimated liabilities assumed was \$5.3 million. Goodwill is being amortized on a straight-line basis over 20 years. Annual net sales of Laundry in 1998 were approximately \$76 million. Unaudited pro forma information related to this acquisition is not included, as the impact of this transaction is not material to the consolidated results of the Company.

On June 8, 1999, the Company completed the purchase of 85.0 percent of the equity interest of Lucky Brand Dungarees, Inc., whose core business consists of the Lucky Brand line of women's and men's denim-based sportswear. The acquisition was accounted for using the purchase method of accounting. The total purchase price consists of a cash payment made at the closing date of approximately \$85 million, and an additional payment to be made on March 31, 2003 of at least \$15 million, which may be increased to a maximum of \$45 million based on the achievement of certain earnings targets. The excess purchase price over the fair market value of the underlying net assets of \$8.1 million was allocated to goodwill and property based on preliminary estimates of fair values and is subject to adjustment. Goodwill is being amortized on a straight-line basis over 25 years. The estimated fair value of assets acquired was \$16.1 million and estimated liabilities assumed was \$8.0 million. After a 5-year period, the Company may be required to purchase the remaining equity interest at an amount equal to its then fair market value, or elect to purchase the remaining equity interest at its then fair market value, or under certain circumstances at a 20% premium on such value. Annual net sales of Lucky Brand Dungarees, Inc. in 1998 were approximately \$60 million. Unaudited pro forma information related to this acquisition is not included, as the impact of this transaction is not material to the consolidated results of the Company.

On February 12, 1999, the Company completed the purchase of 84.5 percent of the equity interest of Secrets, Inc., whose core business consists of the Sigrid Olsen women's apparel lines. In the fourth quarter, the Company purchased approximately 3.0 percent additional equity interest. The acquisition was accounted for using the purchase method of accounting. The excess purchase price over the fair market value of the underlying net assets of \$13.1 million was allocated to goodwill and property based on estimates of fair values. Goodwill is being amortized on a straight-line basis over 25 years. The total amount of funds required to acquire the interest and refinance certain indebtedness was approximately \$55.0 million. The fair value of assets acquired was \$23.3 million and liabilities assumed was \$10.2 million. After a 5-year period, the Company may elect to, or be required to, purchase the remaining equity interest at an amount equal to its then fair market value. Annual net sales of Secrets, Inc. in 1998 were approximately \$60 million. Unaudited pro forma information related to this acquisition is not included, as the impact of this transaction is not material to the consolidated results of the Company.

NOTE 3: LICENSING COMMITMENTS

In August 1999, the Company consummated an exclusive license agreement with Kenneth Cole Productions, Inc. to manufacture, design, market and distribute women's apparel products under the trademarks "Kenneth Cole New York," "Reaction Kenneth Cole" and "Unlisted.com." Under the agreement, the Company is obligated to pay a royalty equal to a percentage of net sales of the "Kenneth Cole New York," "Reaction Kenneth Cole," and "Unlisted.com" products. The initial term of the license agreement runs through December 31, 2004 with an option to renew for 3 additional 5-year periods if certain sales thresholds are met. In addition, the Company consummated the purchase of one million shares of Kenneth Cole Productions Class A stock at a price of \$29 per share. This amount, \$29 million, is recorded as a component of other assets on the Consolidated Balance Sheets as of January 1, 2000. Certain restrictions apply to the Company's stock ownership, including our agreement not to dispose of our position until August 24, 2001.

In January 1998, the Company consummated a license agreement with an affiliate of Donna Karan International, Inc. to design, produce, market and sell men's and women's sportswear, jeanswear and activewear products under the "DKNY(R) Jeans" and "DKNY(R) Active" marks and logos. Under the agreement, the Company is obligated to pay a royalty equal to a percentage of net sales of the "DKNY(R) Jeans" and "DKNY(R) Active" products. The initial term of the license agreement runs through December 31, 2012, with an option to renew for an additional 15-year period, if certain sales thresholds are met. Subject to the terms of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
LIZ CLAIBORNE, INC. AND SUBSIDIARIES

the license agreement, aggregate minimum royalties for the initial 15 year term total \$152 million. In December 1999, the Company consummated an additional exclusive license agreement with an affiliate of Donna Karan International, Inc. to design, produce, market and sell a new line of career and casual sportswear for the "better" market, under a trademark, to be determined, which is expected to be a derivative of the DKNY brand name. Under the agreement, the Company is obligated to pay a royalty equal to a percentage of net sales of the licensed product. The initial term of the license agreement runs through December 31, 2005, with an option to renew for 2 additional 5-year periods, if certain sales thresholds are met.

In July 1998, the Company consummated a license agreement with Candie's, Inc. to manufacture, market, distribute and sell a line of fragrances for men and women using the "Candie's" marks and logos. Under the agreement, the Company is obligated to pay a royalty equal to a percentage of net sales of the "Candie's" products. The initial term of the license agreement runs through December 31, 2013, with an option to renew for an additional 10-year period, if certain sales thresholds are met.

NOTE 4: MARKETABLE SECURITIES

There were no available-for-sale marketable securities at January 1, 2000. The following are summaries of available-for-sale marketable securities and maturities at January 2, 1999:

In thousands	COST	JANUARY 2, 1999 GROSS UNREALIZED		ESTIMATED FAIR VALUE
		GAINS	LOSSES	
Tax exempt notes and bonds	\$152,104	\$ 238	\$ --	\$152,342
Money market preferred	40,000	--	--	40,000
Commercial paper	4,001	1	--	4,002
Equity securities	6,567	234	--	6,801
	-----	-----	-----	-----
	\$202,672	\$ 473	\$ --	\$203,145
	=====	=====	=====	=====

These investments include \$137,520,000 of tax exempt notes and bonds, money market preferreds and commercial paper which are classified as cash and cash equivalents. For the fiscal years 1999, 1998, and 1997 gross realized gains on available-for-sale securities totaled \$1,793,000, \$2,871,000 and \$891,000, respectively. In 1999 and 1998 there were no gross realized losses. Gross realized losses totaled \$1,185,000 in 1997. The adjustment to unrealized gains and losses on available-for-sale securities which was included in accumulated other comprehensive income (loss) was a credit of \$111,000 (net of \$55,000 in deferred income taxes) and a credit of \$666,000 (net of \$394,000 in deferred income taxes) in fiscal 1999 and 1998, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
LIZ CLAIBORNE, INC. AND SUBSIDIARIES

NOTE 5: INVENTORIES, NET

Inventories are summarized as follows:

In Thousands - - - - -	January 1, 2000 -----	January 2, 1999 -----
Raw materials	\$ 24,028	\$ 18,909
Work in process	7,516	8,841
Finished goods	386,804	447,327
	-----	-----
	\$418,348	\$475,077
	=====	=====

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

In thousands - - - - -	January 1, 2000 -----	January 2, 1999 -----
Land and buildings	\$131,681	\$131,297
Machinery and equipment	243,262	199,769
Furniture and fixtures	67,928	67,862
Leasehold improvements	145,100	141,491
	-----	-----
	587,971	540,419
Less: Accumulated depreciation and amortization	303,800	283,057
	-----	-----
	\$284,171	\$257,362
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
LIZ CLAIBORNE, INC. AND SUBSIDIARIES

NOTE 7: INCOME TAXES

The provisions for income taxes are as follows:

In thousands	FISCAL YEARS ENDED		
	(52 WEEKS) JANUARY 1, 2000	(52 WEEKS) JANUARY 2, 1999	(53 WEEKS) JANUARY 3, 1998
Current:			
Federal	\$ 83,023	\$ 77,265	\$ 86,210
Foreign	2,717	2,914	2,450
State & local	10,400	9,700	14,400
	-----	-----	-----
	96,140	89,879	103,060
Deferred - net	13,004	7,421	5,440
	-----	-----	-----
	\$109,144	\$ 97,300	\$108,500
	=====	=====	=====

Liz Claiborne, Inc. and its U.S. subsidiaries file a consolidated federal income tax return. Deferred income tax benefits and deferred income taxes represent the tax effects of revenues, costs and expenses which are recognized for tax purposes in different periods from those used for financial statement purposes. The current income tax provisions exclude \$1,031,000 in 1999, \$4,801,000 in 1998, \$3,670,000 in 1997, arising from the exercise of nonqualified stock options.

These amounts have been credited to capital in excess of par value. In addition, the current income tax provision does not reflect the deferred tax benefit from our acquisition of Segrets, Inc. of approximately \$1.8 million.

The effective income tax rate differs from the statutory federal income tax rate as follows:

	FISCAL YEARS ENDED		
	(52 WEEKS) JANUARY 1, 2000	(52 WEEKS) JANUARY 2, 1999	(53 WEEKS) JANUARY 3, 1998
Federal tax provision at statutory rate	35.0%	35.0%	35.0%
State and local Income taxes, net of federal benefit	2.2	2.4	3.2
Tax-exempt interest income	--	(.7)	(2.2)
Other-net	(1.0)	(.2)	1.0
	-----	-----	-----
	36.2%	36.5%	37.0%
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
LIZ CLAIBORNE, INC. AND SUBSIDIARIES

The components of net deferred taxes arising from temporary differences as of January 1, 2000 and January 2, 1999 are as follows:

IN THOUSANDS	JANUARY 1, 2000		JANUARY 2, 1999	
	DEFERRED TAX ASSET	DEFERRED TAX LIABILITY	DEFERRED TAX ASSET	DEFERRED TAX LIABILITY
Inventory valuation	16,133	--	\$18,432	\$ -
Unremitted earnings from foreign subsidiaries		16,419	-	17,052
Restructuring charge	1,770	--	9,205	-
Accounts receivable Valuation	1,711	--	2,019	-
Unrealized investment (gains)/losses	(118)	--	(173)	-
Depreciation		(462)	-	(2,056)
Other-net	8,268	7,154	6,212	2,540
	<u>\$27,764</u>	<u>\$23,111</u>	<u>\$35,695</u>	<u>\$17,536</u>

Management believes that the deferred tax benefits will be fully realized through future taxable income and reversals of deferred tax liabilities.

NOTE 8: COMMITMENTS, CONTINGENCIES
AND OTHER MATTERS

The Company leases office, showroom, warehouse/distribution and retail space and computers and other equipment under various noncancelable operating lease agreements which expire through December 2013. Rental expense for 1999, 1998 and 1997 was approximately \$67,113,000, \$62,966,000, and \$59,388,000, respectively. The above rental expense amounts exclude associated costs such as real estate taxes and common area maintenance.

At January 1, 2000, the minimum aggregate rental commitments are as follows:

FISCAL YEAR	(IN THOUSANDS) OPERATING LEASES	FISCAL YEAR	(IN THOUSANDS) OPERATING LEASES
2000	\$54,120	2003	\$ 40,902
2001	49,558	2004	36,955
2002	44,883	Thereafter	177,925

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Certain rental commitments have renewal options extending through the year 2030. Some of these renewals are subject to adjustments in future periods. Many of the leases call for additional charges, some of which are based upon various escalations, and, in the case of retail leases, the gross sales of the individual stores above base levels.

At January 1, 2000, the Company had entered into commitments for the purchase of raw materials and for the production of finished goods totaling approximately, \$539,065,000.

In 1999, in connection with the Company's ongoing stock repurchase program, put warrants on 500,000 shares of common stock were exercised and put warrants on 400,000 shares of common stock expired unexercised. There are no put warrants outstanding at January 1, 2000. In 1998, the Company sold put warrants on 1.25 million shares of common stock in privately negotiated transactions based on the then current market price of the common stock. The warrants gave the holders the right at maturity to require the Company to repurchase shares of its common stock at specified prices. The Company had the option to settle in cash or shares of common stock. In 1998, warrants on 420,000 shares of common stock expired unexercised, and warrants on 830,000 shares of common stock were exercised. Warrants on an additional 900,000 shares remained outstanding at January 2, 1999. The proceeds from the sale of put warrants of \$4.7 million in 1998 have been recorded in capital in excess of par value. The Company's potential obligation of \$30.8 million in 1998 to buy back 900,000 shares of common stock was charged to capital in excess of par value and reflected as put warrants on the Consolidated Balance Sheets.

In the normal course of business, the Company extends credit, on open account, to its department store customers, after a credit analysis is performed based on a number of financial and other criteria. In the past, a number of corporate groups which include certain of the Company's largest department store customers have been involved in highly leveraged financial transactions and certain of these customers have filed for protection under Chapter 11 of the Federal Bankruptcy Code. Subsequently, certain customers have emerged from protection under Chapter 11. In 1999, three corporate groups of department store customers accounted for 16%, 17%, and 15%, respectively, of net sales. In 1998, three corporate groups of department store customers accounted for 18%, 17% and 15%, respectively, of net sales. In 1997, three corporate groups of department store customers accounted for 19%, 17% and 12%, respectively, of net sales. The Company does not believe that this concentration of sales and credit risk represents a material risk of loss with respect to its financial position as of January 1, 2000.

At January 1, 2000, approximately 24% of the Company's work force was covered by collective bargaining agreements. The agreements currently in effect will expire in May 2000. The Company considers its relations with its employees to be satisfactory and to date has not experienced any interruption of operations due to labor disputes.

The Company is a party to several pending legal proceedings and claims. Although the outcome of such actions cannot be determined with certainty, management is of the opinion that the final outcome should not have a material adverse effect on the Company's results of operations or financial position.

NOTE 9: DEBT AND LINES OF CREDIT

On December 6, 1999, the Company established a \$600,000,000, 364-day unsecured credit agreement (the "Agreement"). Borrowings outstanding under the agreement are due December 4, 2000. Repayment of the outstanding loan can be extended for one year after the maturity date. The agreement has two borrowing options, an "Alternative Base Rate" option, as defined in the Agreement, or a Eurodollar rate option with a spread based on the Company's long-term credit rating.

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The Agreement contains certain financial covenants relating to the Company's debt leverage and fixed charge coverage. The Company believes it is in compliance with such covenants.

The Agreement may be directly drawn upon, or used to support the Company's \$600,000,000 commercial paper program, which is used from time to time to fund working capital and other general corporate requirements. At January 1, 2000, approximately \$116 million was outstanding under the commercial paper program, with a weighted average interest rate of 6.7%. The carrying amount of the Company's borrowings under the commercial paper program approximate fair value because the interest rates are based on floating rates, which are determined by prevailing market rates. The commercial paper is classified as long-term debt on the Consolidated Balance Sheet as of January 1, 2000 as it is the Company's intent and ability to refinance such obligations on a long-term basis.

As of January 1, 2000, the Company had lines of credit aggregating \$433,000,000 which were available to cover trade letters of credit. These lines of credit expire at various dates in 2000. At January 1, 2000 and January 2, 1999, the Company had letters of credit of \$265,352,000 and \$220,482,000, respectively. These letters of credit, which have terms ranging from one to ten months, collateralize the Company's obligations to third parties for the purchase of inventory. The fair value of these letters of credit approximates contract values.

NOTE 10: RESTRUCTURING CHARGE

In December 1998, the Company recorded a \$27.0 million (pre-tax) restructuring charge. The amount included \$14.4 million related to the closure of 30 underperforming specialty retail stores and \$12.6 million for the streamlining of operating and administrative functions. Principal items included in the charge are estimated contract termination costs, severance and related benefits for staff reductions and the write-off of certain assets. This charge reduced net income by \$17.1 million, or \$.26 per common share. The remaining balance of the restructuring liability as of January 1, 2000 was \$5.1 million. Of the \$21.9 million expended for restructuring costs, \$10.7 was related to severance costs and \$11.2 to losses on contracts and write-off of certain assets related to the aforementioned closure of certain specialty retail stores. Approximately \$2.3 million of the remaining liabilities should be paid or settled during the 2000 fiscal year, with the remaining \$2.7 million of the liability deemed to no longer be necessary. This amount was taken as a reduction to the restructuring charge through current year earnings and was offset with a restructuring reserve of an equal amount to recognize the anticipated exit cost associated with the closure of seven additional underperforming retail stores.

A summary of the charges in the restructuring reserves is as follows:

IN MILLIONS	STORE CLOSURE COSTS	OPERATING AND ADMINISTRATIVE EXIT COSTS	TOTAL
Original Reserve	\$ 14.4	\$ 12.6	\$ 27.0
1999 spending	(11.2)	(10.7)	(21.9)
1999 excess reduction	(0.8)	(1.9)	(2.7)
1999 store closing charge	2.7	--	2.7
	-----	-----	-----
Balance at January 1, 2000	\$ 5.1	\$ --	\$ 5.1
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11: STOCK PLANS

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for its stock-based compensation plans, which are described below. Accordingly, no compensation cost has been recognized for its fixed stock option grants. Had compensation costs for the Company's stock option grants been determined based on the fair value at the grant dates for awards under these plans in accordance with SFAS No. 123 "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the pro forma amounts as follows:

IN THOUSANDS EXCEPT FOR PER COMMON SHARE DATA	(52 WEEKS) JANUARY 1, 2000	FISCAL YEARS ENDED (52 WEEKS) JANUARY 2, 1999	(53 WEEKS) JANUARY 3, 1998

Net income:			
As reported	\$192,442	\$169,377	\$184,644
Pro forma	\$188,200	\$164,738	\$180,698
Basic earnings			
Per share:			
As reported	\$3.13	\$2.59	\$2.65
Pro forma	\$3.06	\$2.51	\$2.60
Diluted earnings			
Per share:			
As reported	\$3.12	\$2.57	\$2.63
Pro forma	\$3.05	\$2.50	\$2.57

For this purpose, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 1999, 1998, and 1997, respectively: dividend yield of 1.3% for 1999 and 1.0% for 1998 and 1997, expected volatility of 37%, 31% and 34%, risk free interest rates of 5.3%, 5.4%, and 6.2% and expected lives of five years for 1999 and four years for 1998 and 1997.

In February 1984 and March 1992, the Company adopted the "1984 Plan" and "1992 Plan," respectively under which nonqualified options to acquire shares of common stock may be granted to officers, other key employees and directors selected by the plans' administrative committee ("the committee"). Payment by option holders upon exercise of an option may be made in cash or, with the consent of the committee, by delivering previously acquired shares of Company common stock. Stock appreciation rights may be granted in connection with all or any part of any option granted under the plans, and may also be granted without a grant of a stock option. The grantee of a stock appreciation right has the right, with the consent of the committee, to receive either in cash or in shares of common stock, an amount equal to the appreciation in the fair market value of the covered shares from the date of grant to the date of exercise. Options and rights are exercisable over a period of time designated by the committee (but not prior to one year from the date of grant) and are subject to such other terms and conditions as the committee determines. Vesting schedules will be accelerated upon merger of the Company or the happening of certain other events. Options and rights may not be transferred during the lifetime of a holder.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Awards under the 1992 plan may also be made in the form of incentive stock options, dividend equivalent rights, restricted stock, unrestricted stock and performance shares. To date, no stock appreciation rights, incentive stock options, dividend equivalent rights or performance shares have been granted under the plan. Exercise prices for awards under the plan are determined by the committee; to date, all stock options have been granted at an exercise price not less than the quoted market value of the underlying shares on the date of grant.

The 1992 plan provides initially for the issuance of up to 2,500,000 shares of common stock with respect to options, stock appreciation rights and other awards granted under the plan, and provides that the Board of Directors may increase such number by an amount equal to 1% of the common stock outstanding as of January 1, 1994 and each January 1st thereafter. At January 1, 2000, there were available for future grant 2,271,651 shares under the 1992 plan. The 1992 plan expires in 2002. The 1984 plan has expired; awards made thereunder prior to its termination remain in effect in accordance with their terms.

Since January 1990, the Company has delivered treasury shares upon the exercise of stock options. The difference between the cost of the treasury shares, on a first-in, first-out basis, and the exercise price of the options has been reflected in retained earnings.

Changes in common shares under option for the three fiscal years in the period ended January 1, 2000 are summarized as follows:

	1999		1998		1997	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Beginning of year	2,340,594	\$ 35.50	2,208,310	\$ 30.73	2,175,923	\$ 26.34
Granted	1,292,200	32.82	979,738	40.66	840,960	39.38
Exercised	(219,306)	23.61	(562,929)	25.43	(557,842)	27.12
Cancelled	(579,017)	37.62	(284,525)	36.29	(250,731)	29.66
	-----	-----	-----	-----	-----	-----
End of year	2,834,471	\$ 34.76	2,340,594	\$ 35.48	2,208,310	\$ 30.73
	=====	=====	=====	=====	=====	=====
Exercisable at end of year	921,345	\$ 32.65	652,258	\$ 30.24	723,927	\$ 23.28
	=====	=====	=====	=====	=====	=====
Weighted average fair value of options granted during the year		\$ 12.22		\$ 11.98		\$ 13.08

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The following table summarizes information about options outstanding at January 1, 2000:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Outstanding At Jan. 1, 2000	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable at Jan. 1, 2000	Weighted Average Exercise Price
\$15.00 - \$25.00	254,506	1.5 years	\$19.80	244,329	\$19.69
25.01 - 35.00	1,302,111	8.5 years	31.57	221,211	27.15
35.01 - 60.00	1,277,854	7.4 years	40.00	455,805	42.25
\$15.00 - \$60.00	2,834,471	7.4 years	\$34.76	921,345	\$32.65

On January 25, 2000, nonqualified options to acquire 1,653,650 shares of common stock were granted to officers and other key employees with an exercise price of \$35 13/16.

In 1998, the committee granted 366,650 shares of common stock to a group of key executives. As of January 1, 2000, 281,967 of these shares remained outstanding. These shares are subject to restrictions on transfer and subject to risk of forfeiture until earned by continued employment. The restrictions expire on July 6, 2007. The expiration of restrictions may be accelerated if the total return on the Company's common stock exceeds that of a predetermined group of competitors or upon the occurrence of certain other events. The unearned compensation is being amortized over a period equal to the anticipated vesting period.

In May 1994, the committee granted 85,000 shares of common stock in connection with the hiring of a key executive. These shares are subject to restrictions on transfer and subject to risk of forfeiture until earned by continued employment. The restrictions expire on the last day of each of the Company's fiscal years 1994 through 2001. The expiration of the restrictions may be accelerated if the market value of the common stock attains certain predetermined levels or upon the occurrence of certain other events. In 1996, one-third of the then 65,000 unvested restricted shares (or 21,665 shares) vested in accordance with the accelerated vesting provisions of the employment agreement. The remaining shares were scheduled to vest at the rate of 6,667 shares of common stock per year through the year 2000 and 10,000 shares in the year 2001. During 1997, the common stock attained the predetermined level which allowed the remaining shares to vest on January 2, 1999. The unearned compensation related to all restricted stock grants as of January 1, 2000, January 2, 1999, and January 3, 1998 is \$9,097,000, \$12,781,000, and \$939,000, respectively, and is included in retained earnings on the Consolidated Balance Sheets.

In 1992, options were granted to certain of the Company's senior officers at a price of \$58.50 per share, representing 150% of the market price at the date of grant. At January 1, 2000, 50,000 of these options remained outstanding; they became exercisable on October 21, 1998 and expire on October 21, 2000, subject to certain exceptions.

The Company's outside directors' stock ownership plan provides non-employee directors, as part of their annual retainer, shares of common stock with a value of \$15,000 on the first business day of each fiscal year. The shares so issued are nontransferable for a period of three years following the grant date, subject to certain exceptions. In 1999, 1,404 shares of common stock were issued under this plan. This plan also provides each non-employee director a grant of options to purchase 1,000 shares of common stock on the first business day of each fiscal year. Not more than one half of one percent (0.50%) of the shares of common stock outstanding from time to time may be issued under the plan, which will expire in 2006.

NOTE 12: PROFIT-SHARING RETIREMENT,
SAVINGS AND DEFERRED
COMPENSATION PLANS

The Company's noncontributory, defined contribution profit-sharing retirement plan covers all eligible U.S. employees who are 21 years of age with one or more years of service and who are not covered by collective bargaining agreements. The plan pays benefits based on an employee's vested account balance in accordance with qualification rules set out in the plan. Vesting begins at 20% after two years of service, and from the 3rd through 6th years, vesting increases by 20% each year until full vesting occurs, except that for employees commencing employment after December 31, 1996, vesting will be on a "cliff" (100%) basis after a period of five years of service. Each year, profit-sharing contributions, if any, are determined by the Board of Directors. The Company's 1999, 1998 and 1997 plan contribution expense, which is included in selling, general and administrative expenses, was \$4,520,000, \$4,372,000 and \$5,888,000, respectively.

The Company's 401(k) Savings Plan covers all eligible U.S. employees who are 21 years of age with one or more years of service and who are not covered by collective bargaining agreements. The plan pays benefits based on an employee's vested account balance. Subject to Internal Revenue Code limitations, participants may contribute from 1% to 15% of their salary on a before-tax basis. Such contributions are fully and immediately vested. Vesting of the Company's matching contribution (equal to 50% of the first 5% contributed by the participant) begins at 20% after two years of service, and from the 3rd through 6th years, vesting increases by 20% each year until fully vested. The Company's 1999, 1998 and 1997 plan contribution expense, which is included in selling, general and administrative expenses, was \$1,995,000, \$2,052,000 and \$2,181,000, respectively.

Effective December 31, 1999, the Profit Sharing Plan was merged into the 401(k) Plan. Future profit sharing contributions will be made to all associates who are eligible to participate in the profit sharing portion of the combined plan and who are employed on the last day of the plan year and are credited with at least 1,000 hours of service during the plan year, or who leave the Company during the plan year because of death, disability or retirement, as defined in the plan, whether or not associates participate in the 401(k) portion of the combined plan. Effective April 1, 2000, the Company match on associate 401(k) contributions will be increased to 50% of the first 6% of eligible compensation contributed by the participant, and eligibility for participation in the 401(k) portion of the plan for full time associates will be reduced to 6 months of employment. However, the Company match will not apply until an associate has a 12 month period of employment with at least 1,000 hours of service.

The Company has a supplemental retirement plan for executives whose benefits under the merged Profit Sharing and 401(k) Plans are expected to be constrained by the operation of certain Internal Revenue Code limitations. The supplemental plan provides a benefit equal to the difference between the contribution that would be made for an executive under the tax-qualified plan absent such limitations and the actual contribution under that plan. The supplemental plan also allows participants to defer up to 15% of their salary. Supplemental benefits attributable to participant deferrals are fully vested at all times and the balance of a participant's benefits vests on the same basis as the matching contribution under the Company's 401(k) savings plan. Under a separate bonus deferral plan, participants may defer up to 100% of their annual bonus. These supplemental plans are not funded. The Company's expenses related to these plans, which are included in selling, general and administrative expenses, were \$2,223,000, \$1,909,000 and \$1,462,000 in 1999, 1998 and 1997, respectively.

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In 1996, the Company established an unfunded deferred compensation arrangement for a senior executive which accrues over a six year period as of the first day of each fiscal year beginning in 1996, based on an amount equal to 15% of the sum of the senior executive's base salary and bonus. The accrued amount plus earnings will become fully vested on December 28, 2002, provided the senior executive is the Chairman of the Board and Chief Executive Officer of the Company on such date. This arrangement also provides for the deferral of an amount equal to the portion of the executive's base salary that exceeds \$1 million. The deferred amount plus earnings will be fully vested at all times.

NOTE 13: STOCKHOLDER RIGHTS PLAN

In December 1998, the Company adopted a new Stockholder Rights Plan to replace the then expiring plan originally adopted in December 1988. Under the new Plan, one preferred stock purchase right is attached to each share of common stock outstanding. The rights are nominally exercisable under certain circumstances, to buy 1/100 share of a newly created Series A Junior Participating Preferred Stock for \$150. If any person or group (referred to as an "Acquiring Person") becomes the beneficial owner of 15% or more of the Company's common stock (20% or more in the case of certain acquisitions by institutional investors), each right, other than rights held by the Acquiring Person which become void, will become exercisable for common stock having a market value of twice the exercise price of the right. If anyone becomes an Acquiring Person and afterwards the Company or 50% or more of its assets is acquired in a merger, sale or other business combination, each right (other than voided rights) will become exercisable for common stock of the acquirer having a market value of twice the exercise price of the right. The rights, which expire on December 21, 2008 and do not have voting rights, may be amended by the Company's Board of Directors and redeemed by the Company at \$.01 per right at any time before any person or group becomes an Acquiring Person.

NOTE 14: EARNINGS PER COMMON SHARE

The following is an analysis of the differences between basic and diluted earnings per common share in accordance with SFAS No.128 "Earnings per Share."

IN THOUSANDS	FISCAL YEARS ENDED		
	(52 WEEKS) JANUARY 1, 2000	(52 WEEKS) JANUARY 2, 1999	(53 WEEKS) JANUARY 3, 1998
Net income:	\$192,442	\$169,377	\$184,644
Weighted average common shares outstanding	61,523	65,503	69,619
Effect of dilutive securities:			
Stock options and restricted stock grants	190	272	483
Put warrants	7	72	89
Weighted average common shares and common Share equivalents	61,720 =====	65,847 =====	70,191 =====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15: CONSOLIDATED STATEMENTS
OF CASH FLOWS SUPPLEMENTARY
DISCLOSURES

During fiscal 1999, 1998, and 1997, the Company made income tax payments of \$89,374,000, \$91,342,000, and \$98,425,000, respectively. The Company made interest payments of \$2,186,000, \$0 and \$0 in 1999, 1998 and 1997, respectively. Other non-cash investing activities in 1999 include a future payment of \$15.0 million associated with the Lucky Brand Dungarees, Inc. acquisition and \$3.5 million contingent payment for the Laundry acquisition (see Note 2 of Notes to Consolidated Financial Statements).

NOTE 16: SEGMENT REPORTING

The Company has three segments: Wholesale Apparel, Wholesale Non-Apparel and Retail. The Wholesale Apparel Segment consists of women's and men's apparel designed and marketed under various trademarks owned or licensed by the Company. The Wholesale Non-Apparel segment consists of accessories, jewelry and cosmetics designed and marketed under certain of those and other trademarks. The Retail segment operates specialty retail and outlet stores that sell these apparel and non-apparel products to the public.

The Company evaluates performance and allocates resources based on operating profits or losses. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intersegment sales are recorded at cost. There is no intercompany profit or loss on intersegment sales, however, the wholesale segments are credited with their proportionate share of the operating profit generated by the Retail segment. The profit credited to the wholesale segments from the Retail segment is eliminated in consolidation.

The Company's segments are business units that offer either different products or distribute similar products through different distribution channels. The segments are each managed separately because they either manufacture and distribute distinct products with different production processes or distribute similar products through different distribution channels.

IN THOUSANDS	JANUARY 1, 2000				TOTALS
	WHOLESALE APPAREL	WHOLESALE NON-APPAREL	RETAIL	CORPORATE/ ELIMINATIONS	
Revenues from external customers	\$2,032,542	\$320,491	\$444,722	\$ 8,793	\$2,806,548
Intercompany sales	163,973	20,911	--	(184,884)	--
Depreciation and amortization expense	47,024	4,130	10,608	6,074	67,836
Segment operating profit (loss)	267,146	32,645	58,105	(58,143)	299,753
Segment assets	1,311,090	86,549	121,613	200,121	1,719,373
Expenditures for long-lived assets	243,786	1,615	31,851	--	277,252

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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IN THOUSANDS	JANUARY 2, 1999				TOTALS
	WHOLESALE APPAREL	WHOLESALE NON-APPAREL	RETAIL	CORPORATE/ ELIMINATIONS	
Revenues from external customers	\$1,802,832	\$296,713	\$430,839	\$ 4,884	\$2,535,268
Intercompany sales	183,218	23,602	--	(206,820)	--
Depreciation and amortization expense	34,985	4,143	12,527	4,130	55,785
Segment operating profit (loss)	243,708	46,590	45,341	(77,961)	257,678
Segment assets	1,119,680	98,701	142,156	367,344	1,727,881
Expenditures for long-lived assets	102,870	12,282	14,420	--	129,572

IN THOUSANDS	JANUARY 3, 1998				TOTALS
	WHOLESALE APPAREL	WHOLESALE NON-APPAREL	RETAIL	CORPORATE/ ELIMINATIONS	
Revenues from external customers	\$1,705,760	\$289,574	\$411,436	\$ 5,831	\$2,412,601
Intercompany sales	153,836	18,667	--	(172,503)	--
Depreciation and amortization expense	26,251	3,819	10,875	5,079	46,024
Segment operating profit (loss)	250,232	38,152	40,325	(51,414)	277,295
Segment assets	1,075,319	77,464	114,422	500,433	1,767,638
Expenditures for long-lived assets	37,218	2,485	7,840	3,750	51,293

In the 1999 "Corporate Eliminations" column, the segment assets consists primarily of corporate buildings, machinery and equipment and licenses and trademarks purchased by the Company. In the 1998 and 1997 "Corporate/Eliminations" column, the segment assets consist primarily of the Company's investment portfolio. The segment operating loss consists primarily of the elimination of the profit transfer from the retail segment to the wholesale segments, and in the 1998 fiscal year a \$27,000,000 restructuring charge.

The reconciling item to adjust segment operating profit to consolidated pre-tax income consists primarily of net income generated by the Company's investment portfolio in the amount of \$1,833,000 in 1999, \$8,999,000 in 1998, and \$15,849,000 in 1997.

A reconciliation to adjust segment assets to consolidated assets follows:

IN THOUSANDS	JANUARY 1, 2000	JANUARY 2, 1999	JANUARY 3, 1998
Total segment assets	\$ 1,719,373	\$ 1,727,881	\$ 1,767,638
Intercompany receivables	(24,640)	(22,415)	(23,681)
Investments in wholly owned subsidiaries	(292,249)	(338,267)	(449,773)
Other	9,317	25,592	11,101
Total consolidated assets	\$ 1,411,801	\$ 1,392,791	\$ 1,305,285

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
LIZ CLAIBORNE, INC. AND SUBSIDIARIES

NOTE 17: OTHER COMPREHENSIVE INCOME

During 1998, the Company adopted SFAS No. 130 "Reporting Comprehensive Income" which requires reporting of comprehensive income and its components in a financial statement. The following table contains the components of the adjustment to unrealized gains (losses) on available for sale securities included in the Consolidated Statements of Retained Earnings, Comprehensive Income and Changes in Capital Accounts.

IN THOUSANDS	JANUARY 1, 2000	JANUARY 2, 1999	JANUARY 3, 1998
Unrealized gain (loss) on available for sale Securities, net of tax:			
Unrealized holding gain (loss)	\$ (166)	\$1,627	\$951
Reclassification adjustment	55	(961)	396
	-----	-----	-----
Net unrealized gain (loss)	\$ (111)	\$ (666)	\$1,347
	=====	=====	=====

NOTE 18: LEGAL PROCEEDINGS

In January 1999, two actions were filed in California naming as defendants more than a dozen United States-based apparel companies that source garments from Saipan (Commonwealth of the Northern Mariana Islands) and a large number of Saipan-based garment factories. The actions assert that the Saipan factories engage in unlawful practices relating to the recruitment and employment of foreign workers and that the apparel companies, by virtue of their alleged relationships with the factories, have violated various federal and state laws. One action, filed in California Superior Court in San Francisco by a union and three public interest groups, alleges unfair competition and false advertising (the "State Court Action"). The State Court Action seeks equitable relief, unspecified amounts for restitution and disgorgement of profits, interest and an award of attorney's fees. The second, filed in Federal Court for the Central District of California, is brought on behalf of a purported class consisting of the Saipan factory workers (the "Federal Court Action"). The Federal Court Action alleges claims under the civil RICO statute and the Alien Tort Claims Act, premised on supposed violations of the federal anti-peonage and indentured servitude statutes, as well as other violations of Saipan and international law, and seeks equitable relief and unspecified damages, including treble and punitive damages, interest and an award of attorney's fees. A third action, brought in Federal Court in Saipan solely against the garment factory defendants on behalf of a putative class of their workers, alleges violations of federal and Saipanese wage and employment laws. The Company sources products in Saipan but was not named as a defendant in the actions. The Company, and certain other apparel companies not named as defendants, were advised in writing, however, that they would be added as parties if a consensual resolution of the complaint. The Company has since reached an agreement in principle to settle all claims that were or could have been asserted in the Federal or State Court actions. To date, more than a dozen other apparel companies have also settled or agreed in principle to settle these claims. The agreement in principle concluded by the Company is subject to final documentation, execution of a binding agreement, and federal court approval. Under the terms of the agreement in principle, if the settlement does not receive final federal court approval, the Company will be entitled to a refund of the entire settlement amount except for funds of up to \$10,000 spent on costs of notice. Because the litigation is at a preliminary stage, with no merits discovery having taken place, if the settlement is not executed or is not finally approved by the federal court, we cannot at this juncture determine the likelihood of a favorable or unfavorable outcome or the magnitude of the latter if it were to occur. Although the outcome of any such litigation cannot be determined with certainty, management is of the opinion that the final outcome should not have a material adverse effect on the Company's financial position or results of operations.

NOTE 19: SUBSEQUENT EVENT

In February 2000, the Company signed an agreement with Leslie Fay Company, Inc. to license the Company's Liz Claiborne Dresses and Elisabeth Dresses labels. The licensing agreement was effective as of the date of the agreement and will not interrupt the flow of merchandise. Not included in the agreement are dresses sold as part of the Liz Claiborne Collection, Lizsport, Lizwear, Liz & Co. and Elisabeth sportswear lines. The initial term of the license agreement runs through February 28, 2005, with an option to renew for 2 additional 5-year terms, if certain sales thresholds are met.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
LIZ CLAIBORNE, INC. AND SUBSIDIARIES

NOTE 20: ACCRUED EXPENSES

Accrued expenses at January 1, 2000 and January 2, 1999 consisted of the following:

In thousands	January 1, 2000	January 2, 1999

Payroll and bonuses	\$ 31,452	\$ 23,660
Taxes, other than taxes on income	20,864	11,263
Employee benefits	20,309	14,266
Advertising	19,776	12,006
Restructuring reserve	5,056	26,283
Other	62,763	41,439
	-----	-----
	\$160,220	\$128,917
	=====	=====

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UNAUDITED QUARTERLY RESULTS

Unaudited quarterly financial information for 1999 and 1998 is set forth in the table below:

ALL AMOUNTS IN THOUSANDS EXCEPT PER COMMON SHARE DATA	MARCH		JUNE		SEPTEMBER		DECEMBER	
	1999	1998	1999	1998	1999	1998	1999	1998
Net sales	\$700,789	\$656,005	\$607,675	\$565,219	\$821,024	\$703,904	\$677,060	\$610,140
Gross profit	262,632	255,538	237,011	224,916	321,081	276,974	276,858	239,674
Net income	44,713	45,886	31,561	30,963	66,370	62,697	49,798	29,831*
Basic earnings per share	\$.70	\$.69	\$.50	\$.47	1.08	\$.96	\$.85	\$.46*
Diluted earnings per share	\$.70	\$.69	\$.50	\$.47	1.08	\$.96	\$.85	\$.46*
Dividends paid per common share	\$.11	\$.11	\$.11	\$.11	\$.11	\$.11	\$.11	\$.11

* Includes the after tax effect of a restructuring charge of \$17,100 (\$27,000 pretax) or \$.27 per common share in the fourth quarter of 1998.

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SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

LIZ CLAIBORNE, INC. AND SUBSIDIARIES

Column A	Column B	Column C ADDITIONS		Column D	Column E
(In thousands) Description	Balance at Beginning	Charged to Costs and Expenses	Other	Deductions -Describe	Balance at End of Period
YEAR ENDED JANUARY 1, 2000					
Accounts Receivable - allowance for doubtful accounts	\$2,165	\$1,025	\$ --	\$935 (A)	\$2,255
Restructuring Reserve	\$26,300	\$2,700	\$ (2,700) (C)	\$21,200 (B)	\$5,100
YEAR ENDED JANUARY 2, 1999					
Accounts Receivable - allowance for doubtful accounts	\$2,591	\$231	\$ --	\$657 (A)	\$2,165
Restructuring Reserve	\$0	\$27,000	\$ --	\$700 (B)	\$26,300
YEAR ENDED JANUARY 3, 1998					
Accounts Receivable - allowance for doubtful accounts	\$2,430	\$551	\$ --	\$390 (A)	\$2,591

Notes:

- (A) Uncollectible accounts written off, less recoveries.
- (B) Charges to the restructuring reserve are for the purposes for which the reserve was created. \$2.7 million of the reserve in fiscal 1999 was deemed to no longer be necessary, and was reversed.
- (C) This amount of the restructuring reserve was deemed to no longer be necessary. As a result, this amount was taken as a reduction to the restructuring charge through fiscal 1999 earnings.

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
3(a)	- Restated Certificate of Incorporation of Registrant (incorporated herein by reference from Exhibit 3(a) to Registrant's Quarterly Report on Form 10-Q for the period ended June 26, 1993).
3(b)	- By-laws of Registrant, as amended (incorporated herein by reference from Exhibit 3(b) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 26, 1992 [the "1992 Annual Report"]).
4(a)	- Specimen certificate for Registrant's Common Stock, par value \$1.00 per share (incorporated herein by reference from Exhibit 4(a) to the 1992 Annual Report).
4(b)	- Rights Agreement, dated as of December 4, 1998, between Registrant and First Chicago Trust Company of New York, as Rights Agent (incorporated herein by reference from Exhibit 1 to Registrant's Form 8-A dated as of December 4, 1998).
10(a)	- Reference is made to Exhibit 4(b) filed hereunder, which is incorporated herein by this reference.
10(b)+	- Liz Claiborne, Inc. 1984 Stock Option Plan (incorporated herein by reference from Exhibit 10(hh) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1983 [the "1983 Annual Report"]).
10(b)(i)+	- Amendment to the 1984 Stock Option Plan (incorporated herein by reference from Exhibit 10(d)(i) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1988).
10(c)+	- Form of Option Agreement under Liz Claiborne, Inc. 1984 Stock Option Plan (the "1984 Option Plan") (incorporated herein by reference from Exhibit 10(nn) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 1984).
10(c)(i)+	- Amended Form of Option Agreement under the 1984 Option Plan (incorporated herein by reference from Exhibit 10(e)(i) to the 1992 Annual Report).
10(d)+	- Liz Claiborne Savings Plan (the "Savings Plan"), as amended and restated (incorporated herein by reference from Exhibit 10(f) to Registrant's Annual report on Form 10-K for the fiscal year ended December 30, 1989 [the "1989 Annual Report"]).
10(d)(i)+	- Trust Agreement dated as of July 1, 1994, between Liz Claiborne, Inc. and IDS Trust Company (incorporated herein by reference from Exhibit 10(b) to Registrant's Quarterly Report on Form 10-Q for the period ended July 2, 1994).
10(e)+	- Amendment Nos. 1 and 2 to the Savings Plan (incorporated herein by reference from Exhibit 10(g) to the 1992 Annual Report).
10(e)(i)+	- Amendment Nos. 3 and 4 to the Savings Plan (incorporated herein by reference from Exhibit 10(g)(i) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 26, 1993 [the "1993 Annual Report"]).
+	Compensation plan or arrangement required to be noted as provided in Item 14(a)(3).

DESCRIPTION

- 10 (e) (ii)+ - Amendment No. 5 to the Savings Plan (incorporated herein by reference from Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the period ended July 2, 1994).
 - 10 (e) (iii)+ - Amendment No. 6 to the Savings Plan (incorporated herein by reference from Exhibit 10(e) (iii) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 28, 1996 [the "1996 Annual Report"]).
 - 10 (e) (iv)+ - Amendment No. 7 to the Savings Plan (incorporated herein by reference from Exhibit 10(e) (iv) to the 1996 Annual Report).
 - 10 (e) (v)+ - Amendment No. 8 to the Savings Plan (incorporated herein by reference from Exhibit 10(e) (v) to Registrant's Annual Report on Form 10-K for the fiscal year ended January 3, 1998 [the "1997 Annual Report"]).
 - 10 (e) (vi)+ - Amendment No. 9 to the Savings Plan (incorporated herein by reference from Exhibit 10(e) (vi) to Registrant's Annual Report on Form 10-K for the fiscal year ended January 2, 1999 [the "1998 annual report"])
 - 10 (f)+ - Amended and Restated Liz Claiborne Profit-Sharing Retirement Plan (the "Profit-Sharing Plan") (incorporated herein by reference from Exhibit 10(h) to the 1992 Annual Report).
 - 10 (g)+ - Trust Agreement related to the Profit-Sharing Plan (incorporated herein by reference from Exhibit 10(jj) to the 1983 Annual Report).
 - 10 (g) (i)+ - Amendment Nos. 1 and 2 to the Profit-Sharing Plan (incorporated herein by reference from Exhibit 10(i) (i) to the 1993 Annual Report).
 - 10 (g) (ii)+ - Amendment No. 3 to the Profit-Sharing Plan (incorporated herein by reference from Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the period ended October 1, 1994).
 - 10 (g) (iii)+ - Amendment No. 4 to the Profit-Sharing Plan (incorporated herein by reference from Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the period ended July 1, 1995).
 - 10 (g) (iv)+ - Amendment No. 5 to the Profit-Sharing Plan (incorporated herein by reference from Exhibit 10(g) (iv) to the 1996 Annual Report).
 - 10 (g) (v)+ - Amendment No. 6 to the Profit-Sharing Plan (incorporated herein by reference from Exhibit 10(g) (v) to the 1998 Annual Report).
 - 10 (h)+* - Merger Amendment to the Profit-Sharing Plan, the Lucky Brand Employee Retirement Plan and Trust, the Segrets, Inc. 401(k) Profit Sharing Plan and the Savings Plan.
 - 10 (i) - National Collective Bargaining Agreement, made and entered into as of June 1, 1997, by and between Liz Claiborne, Inc. and the Union of Needletrades, Industrial and Textile Employees (UNITE) for the period June 1, 1997 through May 31, 2000 (incorporated herein by reference from Exhibit 10(h) to the 1997 Annual Report).
 - 10 (i) (i) - Jobbers Agreement, made and entered into as of June 1, 1997, by and between Liz Claiborne, Inc. and the Union of Needletrades, Industrial and Textile Employees (UNITE) for the period June 1, 1997 through May 31, 2000 (incorporated herein by reference from Exhibit 10(h) (i) to the 1997 Annual Report).
- + Compensation plan or arrangement required to be noted as provided in Item 14(a) (3).
- * Filed herewith.

EXHIBIT NO.	DESCRIPTION
10(j)+*	- Description of Liz Claiborne, Inc. 1999 Salaried Employee Incentive Bonus Plan.
10(k)	- Lease, dated as of January 1, 1990 (the "1441 Lease"), for premises located at 1441 Broadway, New York, New York between Registrant and Lechar Realty Corp. (incorporated herein by reference from Exhibit 10(n) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 1990).
10(k)(i)+*	- First Amendment: Lease Extension and Modification Agreement, dated as of January 1, 1998, to the 1441 Lease.
10(k)(ii)+*	- Second Amendment to Lease, dated as of September 19, 1998, to the 1441 Lease.
10(k)(iii)+*	- Third Amendment to Lease, dated as of September 24, 1999, to the 1441 Lease.
10(l)+	- Liz Claiborne, Inc. Amended and Restated Outside Directors' 1991 Stock Ownership Plan (the "Outside Directors' 1991 Plan") (incorporated herein by reference from Exhibit 10(m) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 30, 1995 [the "1995 Annual Report"]).
10(l)(i)+	- Form of Option Agreement under the Outside Directors' 1991 Plan (incorporated herein by reference from Exhibit 10(m)(i) to the 1996 Annual Report).
10(m)+	- Liz Claiborne, Inc. 1992 Stock Incentive Plan (the "1992 Plan") (incorporated herein by reference from Exhibit 10(p) to Registrant's Annual Report on Form 10-K for the fiscal year ended December 28, 1991).
10(m)(i)+	- Amendment No. 1 to the 1992 Plan (incorporated herein by reference from Exhibit 10(p)(i) to the 1993 Annual Report).
10(m)(ii)+	- Amendment No. 2 to the 1992 Plan (incorporated herein by reference from Exhibit 10(n)(ii) to the 1997 Annual Report).
10(m)(iii)+	- Amendment No. 3 to the 1992 Plan (incorporated herein by reference from Exhibit 10(n)(iii) to the 1998 Annual Report).
10(n)+	- Form of Option Agreement under the 1992 Plan (incorporated herein by reference from Exhibit 10(r) to the 1992 Annual Report).
10(o)+	- Form of Option Grant Certificate under the 1992 Plan (incorporated herein by reference from Exhibit 10(q) to the 1996 Annual Report).
10(p)+	- Form of Restricted Career Share Agreement under the 1992 Plan (incorporated herein by reference from Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 1995).
10(q)+	- Form of Restricted Transformation Share Agreement under the 1992 Plan (incorporated herein by reference from Exhibit 10(s) to the 1997 Annual Report).
+	Compensation plan or arrangement required to be noted as provided in Item 14(a)(3).
*	Filed herewith.

EXHIBIT NO.	DESCRIPTION
10(r)+*	- Description of Supplemental Life Insurance Plans.
10(s)+	- Description of unfunded death/disability benefits for certain executives (incorporated herein by reference from Exhibit 10(u) to the 1992 Annual Report).
10(t)+*	- Amended and Restated Liz Claiborne Section 162(m) Cash Bonus Plan.
10(u)+	- Liz Claiborne, Inc. Supplemental Executive Retirement Plan (as amended and restated effective as of January 1, 1997) (incorporated herein by reference from Exhibit 10(w) to the 1996 Annual Report).
10(v)+	- The Liz Claiborne, Inc. Bonus Deferral Plan (incorporated herein by reference from Exhibit 10(x) to the 1996 Annual Report).
10(w)+	- Employment Agreement dated as of May 9, 1994, between Registrant and Paul R. Charron (the "Charron Agreement") (incorporated herein by reference from Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the period ended April 2, 1994).
10(w)(i)+	- Amendment to the Charron Agreement, dated as of November 20, 1995 (incorporated herein by reference from Exhibit 10(x)(i) to the 1995 Annual Report).
10(w)(ii)+	- Amendment to the Charron Agreement, dated as of September 19, 1996, (including the Liz Claiborne Retirement Income Accumulation Plan for the benefit of Mr. Charron) (incorporated herein by reference from Exhibit 10(y)(ii) to the 1996 Annual Report).
10(x)+	- Employment Agreement dated as of September 26, 1996 between Registrant and Denise V. Seegal (the "Seegal Agreement") (incorporated herein by reference from Exhibit 10(z) to the 1996 Annual Report).
10(x)(i)+*	- Amendment to the Seegal Agreement, dated as of February 18, 2000.
10(y)+*	- Credit Agreement dated as of December 6, 1999, among Registrant, various lending parties and The Chase Manhattan Bank (as administrative agent).
21*	- List of Registrant's Subsidiaries.
23*	- Consent of Independent Public Accountants.
27*	- Financial Data Schedule.
99*	- Undertakings.
(b)	- Reports on Form 8-K.
	Not Applicable.
+	Compensation plan or arrangement required to be noted as provided in Item 14(a)(3).
*	Filed herewith.

MERGER AMENDMENT

This Merger Amendment is an amendment to:

- (a) the Liz Claiborne Profit-Sharing Retirement Plan (the "Profit-Sharing Plan");
- (b) the Lucky Brand Employee Retirement Plan and Trust (the "Lucky Plan");
- (c) the Segrets, Inc. 401(k) Profit Sharing Plan (the "Segrets Plan"); and
- (d) the Liz Claiborne Savings Plan (the "Plan").

1. As of December 31, 1999, the Profit-Sharing Plan, the Lucky Plan and the Segrets Plan (the "Merged Plans") will be merged into the Plan, and all assets of the Merged Plans will be transferred to the Plan, which will thereupon assume all liabilities of the Merged Plans with respect to the assets transferred.

2. Employer contributions for the 1999 plan year, if any, for any of the Merged Plans shall be made by the appropriate employer to the Plan as successor to the Merged Plan or Plans. All contributions for periods on and after January 1, 2000 shall be determined solely under the terms of the Plan.

3. Effective as of January 1, 2000:

(a) individuals who participated in the Plan on December 31, 1999 shall continue to participate in the Plan and individuals who would have become participants on January 1, 2000 shall still become participants on January 1, 2000, in each case for purposes of Tax Saver and Matching Contributions;

(b) individuals who participated in the Profit-Sharing Plan on December 31, 1999 will participate in the profit-sharing feature of the Plan and individuals who would have become participants in the Profit-Sharing Plan on January 1, 2000 shall become participants in the profit-sharing feature of the Plan and, to the extent they satisfy the Plan's requirements therefore, shall receive allocations of profit-sharing contributions;

(c) individuals who participated in the Lucky Plan on December 31, 1999 or who would have become participants in the Lucky Plan on January 1, 2000 shall participate in the Plan on January 1, 2000, in either case for purposes of Tax Saver and Matching Contributions; and provided that such individuals shall not participate in, or share in allocations under, the profit-sharing feature of the Plan until they otherwise meet the Plan's rules relating thereto; and

(d) individuals who participated in the Segrets Plan on December 31, 1999 or who would have become participants in the Segrets Plan on January 1, 2000 shall participate in the Plan on January 1, 2000, in either case for purposes of Tax Saver and Matching Contributions; and provided that such individuals shall not

participate in, or share in allocations under, the profit-sharing feature of the Plan until they otherwise meet the Plan's rules relating thereto.

4. After January 1, 2000 Plan rules shall govern in determining which individuals are eligible to participate in the Plan; provided, however, that:

(a) with respect to any individual who was on the Lucky payroll on December 31, 1999, such individual shall become a participant in the Plan for purposes of Tax-Saver and Matching Contributions on the earlier of (i) the date provided under Plan rules, or (ii) the date provided in the Lucky Plan for elective deferrals and matching contributions; and provided further that such an individual shall not be eligible to participate in, or share in allocations under, the profit-sharing feature of the Plan until he or she otherwise meets the Plan's rules relating thereto; and

(b) with respect to any individual who was on the Segrets payroll on December 31, 1999, such individual shall become a participant in the Plan for purposes of Tax Saver and Matching Contributions on the earlier of (i) the date provided under Plan rules, or (ii) the date provided in the Segrets Plan for elective deferrals and matching contributions; and provided further that such an individual shall not participate in, or share in allocations under, the profit-sharing feature of the Plan until he or she otherwise meets the Plan's rules relating thereto.

5. Except as otherwise expressly provided in the Plan as amended, in no event shall any former participant in a Merged Plan be denied any benefit, form of payment or other entitlement protected under the provisions of section 411(d)(6) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

6. Under the profit-sharing feature of the amended Plan, participants shall, effective as soon as administratively practicable following January 1, 2000, be entitled to direct the trustee in the investment of all amounts credited to their Profit-Sharing Contributions Accounts under the Plan, including both amounts credited to such Accounts before January 1, 2000 and amounts allocated to such Accounts after said date, such direction of investments to be to the same extent that participants direct the investment of their Tax-Saver Contributions under the Plan.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized officer as of this 30th day of December, 1999.

LIZ CLAIBORNE, INC.

By: /s/Nicholas J. Rubino

Vice President- Deputy
General Counsel and
Assistant Secretary

DESCRIPTION OF LIZ CLAIBORNE, INC. 1999 SALARIED
EMPLOYEE INCENTIVE BONUS PLAN

For the 1999 fiscal year, Liz Claiborne, Inc. maintained a bonus plan for full time salaried employees under which bonuses were earned based upon a combination of return on invested operating capital and earnings per share, as measured against pre-established targets, and, as applicable, achievement of targeted levels of divisional direct operating profit and/or departmental performance considerations and the achievement of individual goals, subject to certain terms and conditions. A similar bonus plan is anticipated for 2000.

FIRST AMENDMENT:
LEASE EXTENSION AND MODIFICATION AGREEMENT

AGREEMENT, made as of the first day of January 1998, by and between LECHAR REALTY CORP., a New York corporation, with its principal office address at 1441 Broadway, New York, New York 10018, hereinafter referred to as "Owner"; and LIZ CLAIBORNE INC., a Delaware corporation, qualified to do business in the State of New York, with its principal office and showroom address at 1441 Broadway, New York, New York 10018, hereinafter referred to as "Tenant".

W I T N E S S E T H

WHEREAS, Owner and Tenant are parties to a written Agreement of Lease, dated as of the 1st day of January 1990, hereinafter referred to as the "Original Lease", as amended by letter agreement dated August 4, 1994, such letter and the Original Lease are hereinafter collectively referred to as the "Lease", for a portion(s) of the building at 1441 Broadway, a/k/a 575 Seventh Avenue, New York City, New York, hereinafter referred to as the "Building" (except as may be otherwise expressly specified in this document, all definitions in the Lease remain in effect in this Agreement); and

WHEREAS, Tenant and Owner have agreed to modify the Lease upon the terms and conditions hereinafter set forth (hereinafter referred to as this "First Amendment"):

NOW, THEREFORE, in consideration of TEN (\$10.00) DOLLARS in hand paid to the other, and for other and further valuable consideration, including the mutual covenants hereinafter set forth, Owner and Tenant agree as follows:

1. The Lease is amended and modified as follows:

A. ARTICLE 1 OF THE ORIGINAL LEASE, DEMISE AND RENT:

Exhibit A-1 attached hereto sets forth the Demised Premises as of January 1, 1998.

9TH-13TH LINES: "for a term (the "Term") of twelve (12) years ... to commence on the 1st day of January nineteen hundred and ninety, and to end on the 31st day of December two thousand and one, both dates inclusive," is changed to:

"for a term (the "Term") of twenty-three (23) years, commencing January 1, 1990, and expiring December 31, 2012, both dates inclusive,".

13TH LINE: Exhibit B to the Original Lease, setting forth the Fixed Annual Rent, is amended by modifying and changing the 1/1/99-12/31/01 rental amounts to now read:

"Period - - - - -	Fixed Annual Rent -----
1/1/99-10/31/99	At a rate of \$44.95 per rentable square foot per 12-month period
11/1/99-12/31/12	At a rate of \$35.00 per rentable square foot per 12-month period"

Paragraph 2 of the letter agreement dated August 4, 1994, between the parties hereto is modified so that from and after November 1, 1999, the 9,006 rentable square feet of mezzanine area in the Building referred to therein is leased to Tenant at the same base rent as Tenant's other leased space in the Building.

B. ARTICLE 36 OF THE ORIGINAL LEASE, TAXES:

PAGE 43 (TOP), ARTICLE 36(A) (ii): The following is added after the words "...if any.": ", through December 31, 1998. Effective January 1, 1999, 'Base Taxes' shall mean the sum of fifty (50%) percent of the Taxes payable during the Tax Year commencing on July 1, 1997 and fifty (50%) percent of the Taxes payable during the Tax Year commencing on July 1, 1998, in each instance including the (Protected Amount, if any."

PAGE 44, ARTICLE 36(A) (x), 2ND LINE: "sewer rents and governmental charges of any nature (to the extent not charged to Tenant pursuant to another Article hereof)" is deleted, and the following is added to Article 36 (A) (x), second line: "and business improvement district taxes."

THE FOLLOWING IS ADDED TO ARTICLE 36 OF THE ORIGINAL LEASE: "(E) Tenant shall continue to pay to Owner, through December 31, 1998, as additional rent, within ten (10) days after Tenant's receipt of an invoice therefor, Tenant's Proportionate Tax Share of business improvement district taxes assessed against the Building Project."

C. ARTICLE 37 OF THE ORIGINAL LEASE, PORTERS WAGE AND CPI:

The title of this Article is amended to: "PORTERS WAGE AND CPI; OPERATING EXPENSE ESCALATION"

ARTICLE 37(D) (i), PAGE 49, 2ND LINE: after "... during the Term,": the following is added, "through October 31, 1999,".

ARTICLE 37(D) (i), PAGE 50: The following is added: "The Prior Wage Rate Increase Per Square Foot shall be equal to that applicable for 1998 in determining the Current Wage Rate Increase effective January 1, 1999, with

Tenant being liable to pay the same amount it owed for and in respect of 1998 under this Article, without application of Article 37 (D) (ii) below. No additional rent shall be payable in respect of the period after October 1, 1999, based on changes in the Wage Rate."

THE FOLLOWING IS ADDED TO ARTICLE 37: "(H) OPERATING EXPENSE ESCALATION Effective January 1, 2000, subparagraph (A)-(D) and (F), above, are hereby replaced with this provision and Tenant shall thereupon and thereafter pay to Owner as additional rent, an operating expense escalation in lieu of the escalations heretofore provided under this Article 37, in accordance with the following:

a. Definitions: For the purpose of this Article, the following definitions shall apply:

(i) The term "Base Year" as hereinafter set forth for the determination of operating expense escalation, shall mean the calendar year 1998.

(ii) The term the "Percentage" for purposes of computing operating expense escalation, shall mean Tenant's Proportionate Share as defined in Article 36, above.

(iii) The term "the Building Project" shall mean the aggregate combined parcel of the Land and the Building, with all the improvements thereof and thereon.

(iv) The term "Comparative Year" shall mean the twelve (12) months of the Year 2000, and each subsequent period of twelve (12) months.

(v) Except as may hereinafter otherwise be expressly specified, the term "Expenses" shall mean the total of all the costs and expenses incurred or borne by Owner with respect to the operation and maintenance of the Building Project and the services provided tenants therein, including, but not limited to, the costs and expenses incurred for and with respect to: steam and any other fuel; water rates

and sewer rents (to the extent not included in Taxes); mechanical ventilation and air-conditioning (only to the extent Owner is providing same to the Demised Premises per Article 27(C) (ii), only, and to public or common areas of the Building); heating; cleaning, by contract or otherwise, for non-tenant areas only; elevators; escalators; porters and matron service; Building electric current (i.e., Building electric current shall be deemed to mean all electricity purchased for the common areas and common elements of the Building as determined by survey, and shall exclude that which is redistributed to tenants in the Building); protection and security; lobby decoration; repairs and/or replacements of non-capital items which are appropriate for the continued operation of the Building as a first-class building; maintenance; painting and repair of non-tenant areas (including any public or common areas); fire, extended coverage, boiler and machinery, sprinkler, apparatus, public liability and property damage, rental and plate glass insurance and any other insurance as may be reasonably (i.e. as would be required by an institutional lender) required by a mortgagee, with customary deductibles; management fees; supplies; wages, salaries, disability benefits, pensions, hospitalization, retirement plans and group insurance respecting employees of the Building up to and including the building manager; uniforms and working clothes for such employees and the cleaning thereof, and expenses imposed pursuant to law or to any collective bargaining agreement with respect to such employees; worker's compensation insurance, payroll, social security, unemployment and other similar taxes with respect to such employees; and reasonable association fees or dues (pertaining to maintenance, upkeep and repairs and operation of the non-tenant areas of the Building Project only); costs and fees for accounting,

bookkeeping, auditing, consulting, legal and other professional services; and sales and use taxes levied upon any Expenses.

Provided, however, that the foregoing costs and expenses shall exclude or have deducted from them as the case may be and as shall be appropriate:

- (a) Leasing commissions;
- (b) Managing agents' fees or commissions in excess of the rates then customarily charged for building management for buildings of like class and character;
- (c) Executives' salaries above the grade of building manager;
- (d) Expenditures for capital improvements except those which under generally accepted accounting principles ("GAAP") are expensed and except for capital expenditures required by law, in either of which cases portions of the cost thereof shall only be included in Expenses only to the extent that such costs are amortized on a straight line basis over the useful life of the capital improvement, as set by GAAP;
- (e) Expenses reimbursed by insurance or other third-party payors, to the extent the proceeds actually cover, pay for or reimburse expenses which were previously or would be included in Expenses hereunder;
- (f) Cost of repairs or replacements incurred by reason of fire or other casualty or caused by the exercise of the rights of eminent domain;
- (g) Advertising and promotional expenditures, pertaining to leasing or the Building Project in general or otherwise;
- (h) Legal fees for disputes with tenants and/or mortgagees, and all other legal and auditing fees except legal and auditing fees reasonably incurred in connection with the maintenance and operation of the Building Project or in connection with

the preparation of statements required pursuant to additional rent or lease escalation provisions;

(i) The incremental cost of furnishing services such as overtime HVAC to any tenant at such tenant's expense; costs incurred in performing work or furnishing services for individual tenants (including this Tenant) at such tenant's expense.

(j) The cost of electricity and other utilities furnished to space leased or held available for lease to any tenant;

(k) Water charges and sewer rents that are separately metered or otherwise paid for by specific tenants or that are included within the definition of Taxes;

(l) Work performed to prepare space for leasing or to improve leased space;

(m) Principal, interest and other payments or expenditures made under, pursuant to or in connection with any loan, including, without limitation, any mortgage encumbering the Building Project or any interest therein;

(n) The cost of correcting defects (latent or otherwise) in the construction of the Building;

(o) That portion of charges for cleaning, security and elevator, air conditioning or other maintenance provided to the Building Project, which are in excess of reasonably competitive rates or which relate to any space leased or available for lease, it being understood that such charges shall only be included to the extent that they relate to common areas and common elements of the Building Project;

(p) Payments for rented equipment, the cost of which equipment would constitute an excluded capital expenditure if the equipment were purchased (if not

excluded by reason of clause (d) above, such payments shall be treated as a purchase under clause (d), above;

(q) Depreciation and other non-cash expenses.

(r) Penalty interest, late charges, penalties and penalty surcharges imposed with respect to any costs otherwise included in Expenses;

(s) Judgments, settlements and/or court costs and litigation costs for any actions, claims, proceedings or violations of law, or with respect to the enforcement of any leases or licenses in the Building;

(t) Rent and other payments or expenditures made under, pursuant to or in connection with any ground or underlying lease or leases or any interest therein;

(u) Owner's and lender's title insurance;

(v) Taxes;

(w) Any expenditure, for which Owner is being or is to be paid, compensated or reimbursed by any particular tenant(s) or other party. There shall not be included in Expenses and Tenant shall not be subject to expenses incurred outside common areas by Owner for another tenant;

(x) The portion of wages, salaries or other compensation paid to any employees who do not perform services exclusively for the Building that is allocable to their other activities;

(y) Owner's general and administrative expenses not relating to operation of the Building Project;

(z) Consulting fees relating to any capital expenditures, except as to cost savings permitted below;

(aa) Any connection charges imposed by any utility service providers to the Building, except if viewed by GAAP as an Expense item;

(bb) Any costs representing an amount paid to a party affiliated with or related to Owner which is in excess of the amount which would have been paid in the absence of such relationship (i.e., it shall not exceed then existing reasonable competitive rates or prices);

(cc) The cost of installing, operating and maintaining any specialty service or facility such as an observatory, broadcasting facility, luncheon club, retail store, sundry shop, newsstand, rooftop or other sign, concession or athletic or recreational club. However, the cost of operating and maintaining any of the foregoing shall be an includable Expense, only if they are common areas of the Building and are available without charge(s) to all tenants.

(dd) Costs resulting from the negligence, willful misconduct or wrongful acts of Owner or its, agents, employees, contractors or other tenants.

(ee) The cost of window cleaning, except for windows in common and public areas.

If Owner shall purchase any item of capital equipment or make any capital expenditure designed to result in savings or reductions in Expenses, then the cost(s) of same shall be included in expenses only to the extent of the savings or reductions in Expenses resulting therefrom. Such costs of capital equipment or capital expenditures are so to be included in Expenses for the Comparative Years, on a straight line basis, only to the extent that such items are amortized over such period of time as are prescribed by GAAP. If Owner shall lease any such item of capital equipment designed to result in savings or reductions in Expenses, then the rental and other costs paid pursuant to such leasing shall be included in Expenses

for the Comparative Year in which they were incurred to the extent of the savings realized thereby.

If during all or part of the Base Year or any Comparative Year, Owner shall not furnish any particular item(s) of work or service (which would constitute an Expense hereunder) to portions of the Building Project due to the fact that such portions are not occupied or leased, or because such item of work or service is not required or desired by the tenant of such portion, or such tenant is itself obtaining and providing such item of work or service, or for other reasons, then, for the purposes of computing the additional rent payable hereunder, the amount of the expenses for such item for such period shall be increased by an amount equal to the additional operating and maintenance expenses which would reasonably have been incurred during such period by Owner if it had at its own expense furnished such item of work or services to such portion of the Building Project.

- b. 1. Commencing January 1, 2000, and continuously thereafter during the Term, if the Expenses for any Comparative Year shall be greater than the Expenses for the Base Year, Tenant shall pay to Landlord as additional rent for such Comparative Year, in the manner hereinafter provided, an amount equal to the Percentage of the excess of the Expenses for such Comparative Year, over the Expenses for the Base Year (such amount being hereinafter called the "Expense Payment").

Following the expiration of each Comparative Year, but not later than six (6) months thereafter, and after receipt of necessary information and computations from Owner's certified public accountant, Owner shall submit to Tenant a

statement, as hereinafter described, setting forth the Expenses for the preceding Comparative Year, the Expenses for the Base Year, and the Expense Payment, if any, due to Owner from Tenant for such Comparative Year. If such statement shows an Expense Payment due from Tenant to Owner with respect to the preceding Comparative Year then (i) Tenant shall make payment of any unpaid portion thereof within ten (10) days after receipt of such statement (if Tenant may have overpaid, then Owner shall either refund the amount overpaid within ten (10) days of such statement being delivered to Tenant, or at Owner's option give Tenant a base rent credit in such amount to be applied by Tenant in the next ensuing month); and (ii) Tenant shall also pay to Owner, as additional rent, within ten (10) days after receipt of such statement, an amount equal to the product obtained by multiplying the total Expense Payment for the preceding Comparative Year by a fraction, the denominator of which shall be 12 and the numerator of which shall be the number of months of the current Comparative Year which shall have elapsed prior to the first day of the month immediately following the rendition of such statement; and (iii) Tenant shall also pay to Owner, as additional rent, commencing as of the first day of the month immediately following the rendition of such statement and on the first day of each month thereafter until a new statement is rendered, 1/12th of one hundred and five (105%) percent of the total Expense Payment for the preceding Comparative Year. The payments required to be made under (ii) and (iii), above, shall be credited toward the Expense Payment due from Tenant for the then current Comparative Year, subject to adjustment as and when the statement for such current Comparative Year is rendered by Owner. With respect to the Year 2000, the month after Owner shall have submitted to Tenant an Expense Statement for 1998 and an Expense

Statement for 1999 and continuing the first day of each consecutive month through December 2000, Tenant shall pay its Proportionate Share of the increase in 1999 Expenses over the 1998 Expenses multiplied by 105% in equal monthly installments (i.e., determined by dividing Tenant's Proportionate Expense Share by twelve with Tenant paying for the months through the statement delivery date within ten (10) days, and then monthly thereafter); such payment shall be .on account of the Expense Payment due for the Year 2000 with any adjustment determined in 2001 as aforesated; it being agreed that there is no Expense Payment in respect of the Year 1999.

2. The statements of the Expenses to be furnished by Owner as provided above shall be certified by Owner or its managing agent, and shall be prepared in reasonable detail in accordance with GAAP. The statements thus furnished to Tenant shall constitute a final determination as between Owner and Tenant of the Expenses for the period represented thereby, unless Tenant within two (2) years after they are furnished shall give a notice to Owner that it disputes their accuracy or their appropriateness, which notice shall specify the particular respects in which the statement is claimed to be inaccurate or inappropriate. Pending the resolution of any dispute respecting such statements, in accordance with Article 45, below, Tenant shall pay the additional rent due under this Article to Owner in accordance with the statements furnished by Owner. Upon resolution of any such dispute, monetary adjustment(s) determined by the arbitrator(s) to be appropriate shall be made by the parties hereto.

3. In no event shall the fixed annual rent under this Lease be reduced by virtue of this Article.

4. Upon the date of any expiration or termination of this Lease whether the same be the date hereinabove set forth for the expiration of the Term or any prior or subsequent date, a proportionate share of said additional rent for the Comparative Year during which such expiration or earlier termination occurs shall immediately become due and payable by Tenant to Owner, if it was not theretofore already billed and paid. The said proportionate share shall be based upon the length of time that this Lease shall have been in existence during such Comparative Year. Owner shall, as soon as reasonably practicable, compute the additional rent due under this Article from Tenant, as aforesaid, which computations shall either be based on that Comparative Year's actual figures or be an estimate based upon the most recent statements theretofore prepared by Owner and furnished to Tenant under subdivisions 1 and 2, above. If an estimate is used, then Owner shall cause statements to be prepared on the basis of the Comparative Year's actual figures promptly after they are available, and thereupon, Owner and Tenant shall make appropriate adjustments of any estimated payments theretofore made.

5. Owner's and Tenant's obligations to make the adjustments referred to in subdivision 4, above, shall survive any expiration or termination of this Lease.

6. Any delay or failure of Owner in billing any escalation hereinabove provided shall not constitute a waiver of or in any way impair the continuing obligation of Tenant to pay any escalation hereunder, provided a bill therefor is furnished to Tenant within two (2) years after the expiration of the period to which such bill or invoice applies."

D. ARTICLE 43 OF THE ORIGINAL LEASE, RENT ABATEMENT & CONSTRUCTION ALLOWANCE: The title to this Article is changed to: TENANT REIMBURSEMENTS.

SUBPARAGRAPHS (A) AND (B) ARE DELETED, AND REPLACED WITH:

"(A) Subject to Owner's set-off(s) of any and all rent and additional rent Tenant may owe Owner through November 1, 1999, on November 1, 1999, Tenant shall be entitled to payment from Owner of (and Owner hereby agrees to pay Tenant) \$4,142,910.00 and Tenant shall be entitled to an abatement of all base rent and Article 37 escalation payments due in respect of the period from November 1, 1999 to and including December 31, 1999, only.

(B) On December 1, 2012, Owner shall pay to Tenant the sum of \$632,944.00, together with interest on said principal sum calculated from January 1, 2000, to the date of payment at four (4%) percent per annum based upon a 360-360 day year, hereinafter referred to as the 'Payment'. The Payment shall be secured by Owner's delivery to Tenant by January 5, 2000 of a zero-coupon bond with a rating of A or if available, AA, as set by Standard & Poor's, earning interest at 4% per annum. Owner shall receive the return of the bond given as security from Tenant in exchange for the Payment, unless said security has been negotiated prior thereto or otherwise disposed of by Tenant, in which event the Payment shall be deemed to have been made in full. Owner shall pay to Tenant, subject to set-off(s) for any rent and additional rent then owing to Owner, yearly on the third business day after each New Year Day, commencing January 2001 until the Payment is made, four (4%) percent per annum, based upon a 360-360 day year, on the

actual amount of the cost to Owner of the aforesaid zero-coupon bond (this is hereinafter referred to as the "Interest Payment")."

(C) With respect to any sum which may be due to Tenant as set forth in subparagraph (A) or (B), above, in the event that Owner does not remit a sum due to Tenant thereunder within ten (10) days of receipt of written notice from Tenant that same is due, but has not been received, and Owner failing to thereupon pay the sum so noticed and due, then Tenant shall be entitled to set-off such sum(s) due, with an interest factor at the Interest Rate (calculated from the due date of the payment) against Tenant's ensuing rental obligations to Owner."

- E. ARTICLE 41 OF THE ORIGINAL LEASE, ADDITIONAL SPACE: Exhibits C-1 and C-2 are replaced with Exhibits "New C-1" and "New C-2" annexed hereto, which shall be Automatic Option Space and Contingent Option Space as of January 1, 1998.

ARTICLE 41 (A), PAGE 62 (TOP), 7TH-10TH LINES: " , at the per square foot fixed rental rate then applicable as provided in Exhibit B, appropriately prorated for any partial calendar year and subject to the provisions of

ARTICLE 43 BELOW IS DELETED AND CHANGED TO READ: " , at a per square foot fixed base rental rate of ninety-five (95%) percent of the then fair market rental value for the particular Automatic Option Space (It being understood that the rents set forth on Exhibit B hereto shall be inapplicable and disregarded.)"

ARTICLE 41(B), PAGE 63, 19TH-22ND LINES: " , at the per square foot fixed rental rate then applicable as herein specified appropriately prorated for any partial calendar year and subject to the provisions of

ARTICLE 43 BELOW IS CHANGED TO: " , at a per square foot fixed base rental rate of ninety-five (95%) percent of the then fair market rental value for the particular Contingent Option Space (It being understood that the rents set forth on Exhibit B hereto shall be inapplicable and disregarded.)"

ARTICLE 41(E), PAGE 65: is deleted.

ARTICLE 41(F) (LAST SENTENCE) IS CHANGED TO READ: "However, upon expiration or earlier termination of the lease for such space (following renewal periods, if any, if expressly set forth in such lease), Tenant shall have the right again to lease such space as though it were Automatic Option Space, unless such space is leased by Segrets, Ellen Tracy, Donna Ricco, Karen Kane or Leon Charney or successors to the business thereof, in which event Tenant shall have the right to lease such space as though it were Contingent Option Space."

F. ALL REFERENCES TO FREIGHT ELEVATOR #9 IN THE LEASE ARE CHANGED TO "#11".

G. ARTICLE 55 OF THE ORIGINAL LEASE, OWNER REPRESENTATION:

3RD LINE: "Lechar Realty Associates, a New York partnership", is changed (has been converted) to: "Lechar Realty, L.L.C., a New York limited liability company,".

H. ARTICLE 3 OF THE ORIGINAL LEASE, ALTERATIONS:

ARTICLE 3(F), PAGE 5, THE 3RD SENTENCE: requiring Tenant at Owner's request to remove internal bathrooms, is deleted.

IN THE 2ND SENTENCE OF SAID SUBPARAGRAPH: shall not be construed so as to require Tenant to remove any internal bathrooms.

IN THE EXISTING 4TH SENTENCE: "two (2)" is deleted.

IN THE EXISTING 5TH SENTENCE: "three (3)" is changed to: "two (2)".

I. ARTICLE 4 OF THE ORIGINAL LEASE. REPAIRS AND MAINTENANCE:

ARTICLE 4(D), MIDDLE OF PAGE 7: "Elevator #9" is changed to "Elevator #11."

THE NEXT TO LAST SENTENCE IS CHANGED TO READ: "Tenant, at its sole cost and expense, may install wiring, panels and signal buttons in the #11 elevator to enable it to stop at floors it occupies and uses between floor 1 through 34. Such changes shall be subject to Owner's prior written consent, not to be unreasonably withheld or delayed."

J. ARTICLE 9 OF THE ORIGINAL LEASE. DESTRUCTION, FIRE AND OTHER CASUALTY:

ARTICLE 9(F), PAGE 14: is deleted and replaced with: "Waiver of Subrogation. Notwithstanding anything else to the contrary in this Lease, each party shall look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty, and to the extent that such insurance is in force and collectible and to the extent permitted by law, Owner and Tenant each hereby releases and waives all right of recovery against the other or any one claiming through or under each of them by way of subrogation or otherwise. Each party shall provide for this waiver of subrogation in its insurance policy(ies) it maintains pursuant to Article 40 (B), below. If either party fails to carry the insurance required in Article 40 (B), below, such party shall be deemed to release and waive all rights of recovery against the other party against the other party or anyone claiming through or under each of them to the extent of the deficiency in insurance coverage."

ARTICLE 9(K), 2ND SENTENCE, PAGE 15: "under Article 3 hereof, ..." is changed to: "under Article 4, above,...".

K. ARTICLE 12 OF THE ORIGINAL LEASE. ASSIGNMENT, SUBLETTING AND MORTGAGE:

ARTICLE 12 (C), LAST 3 LINES, PAGE 19 (TOP): "...of managing partner and sole decision-maker of Lechar Realty Associates, the beneficial owner of the Real Property." Is changed to: "...of manager and sole decision-maker of Lechar Realty, L.L.C., the beneficial owner of the Real Property."

PARAGRAPH (H) IS HEREBY DELETED IN ITS ENTIRETY AND REPLACED WITH: "(H) If seventy (70%) percent or more of the rentable square feet in the Building above the ground floor not leased to Tenant is occupied by tenants in the apparel industry for showrooms and design, Tenant will not permit any subtenant of the Demised Premises or any assignee of this Lease to occupy more than fifty (50%) percent of the Demised Premises for purposes other than showrooms and design facilities.

Illustrative of the foregoing, if Tenant presently was subleasing all of the Demised Premises or had assigned this Lease, if more than 106,975 rentable square feet in the Building were occupied by tenants in the apparel industry for showrooms and design, then Tenant could not permit its sublessee or assignee to occupy more than 138,097 rentable square feet of the Demised Premises for purposes other than apparel-related showrooms and design facilities."

L. ARTICLE 18 OF THE ORIGINAL LEASE. FEES AND EXPENSES:

ARTICLE 18(B), AT THE END OF THE NEXT TO LAST SENTENCE, ON PAGE 28: The following is added: ", at the Interest Rate."

M. ARTICLE 27 OF THE ORIGINAL LEASE. SERVICES PROVIDED BY OWNER:

ARTICLE 27(A), PAGES 31-33: All references to "No. 9" or "#9" are changed to "No.11" or "#11" with the reference being the "#11 elevator."

ARTICLE 27(A), 8TH LINE, PAGE 32 (TOP): "...servicing floors 1 through 19." is changed to:

"...servicing floors 1 through 34."

ARTICLE 27(A): The following is added: "In the event that any of the freight elevators are not in working order, other than due to a party's negligence or willful act, then each party agrees to cooperate during such time period until Tenant or Owner, as the case may be, can reasonably meet its needs and demands concerning its freight elevator service."

N. ARTICLE 46 OF THE ORIGINAL LEASE. RIGHT TO EXTEND:

THE 3RD SENTENCE FROM THE END, PAGE 71: "There shall be no further right of extension beyond December 31, 2021." is changed to read: "There shall be no further right of extension beyond December 31, 2032."

O. ARTICLE 42 OF THE ORIGINAL LEASE. REMEASUREMENT:

8TH SENTENCE: "448,701" is changed to: "454, 987." [This also applies to any other Article wherein "448,701" may appear.]

P. ARTICLE 38 OF THE ORIGINAL LEASE, ELECTRICITY: From and after the date hereof, Article 38 of the original lease shall be deemed to be replaced with the following:

"38. ELECTRICITY.

(A) Effective from and after the date hereof, Tenant shall obtain and Owner shall supply electricity for all of Tenant's reasonable electrical needs (as referred

to in subparagraph E, below) in the Demised Premises on a surveyed basis but Tenant shall have the right at its sole cost and expense at anytime during the Term to: (i) obtain all or any part of its electricity from Owner on a submetered basis on the terms and conditions set forth in Article 38(C) below; and/or (ii) obtain all or any part of its electricity in accordance with the terms and conditions set forth in Article 38(D) below directly from any utility company serving the Building (a "Utility Company"), in each instance by means of the existing building systems, feeders, risers and wiring and/or any additional equipment required therefor, it being understood that the cost of installing any such additional equipment as well as the cost of splitting or segregating power lines shall be borne by Tenant.

(B) (i) The charge to Tenant for Owner's furnishing of electricity to Tenant on a survey basis (the "Electric Factor") shall equal 103% of Owner's actual out-of-pocket cost to purchase such electricity from the Utility Company supplying same to Owner. At any time during the Term (but not more often than once annually) Owner or Tenant may cause a survey to be prepared by a reputable, independent electrical consultant (to be selected by Owner and reasonably acceptable to Tenant if Owner is causing the survey to be prepared or selected by Tenant and reasonably acceptable to Owner if Tenant is causing the survey to be prepared), the cost of which survey shall be borne by whomever of Owner or Tenant causes same to be prepared. The purpose of said survey shall be to determine the cost to Owner (and charge to Tenant) for the electricity being supplied to Tenant on a survey basis. The Electric Factor shall, from time to time, be determined on the basis of the service classification, charges, taxes and rates at which Owner from time to time purchases electricity for the Building ("Owner's Electric Rate").

Owner's Electric Rate shall reflect all discounts received by Owner whether attributable to the Demised Premises, the Building Project or otherwise. Any and all exemptions, abatements and/or savings in Owner's Electric Rate and/or the cost of electricity directly or indirectly (by submeter or survey) payable by Tenant, arising under, or by virtue of, any incentive or similar programs actually granted to or acquired by Tenant shall be, and be deemed to belong to Tenant. Specifically and in furtherance

of the foregoing, Owner specifically acknowledges and agrees that: (i) if Tenant is paying Owner for electricity pursuant to Article 38 (B) or (C) hereof any such exemptions, abatements and/or savings during the Utility Company's billing period shall be offset against and deducted (whichever is appropriate) from the additional rent otherwise due from Tenant to Owner for such billing period; and (ii) in any other event (including, without limitation, if electricity is obtained by Tenant pursuant to Article 38 (D) hereof), such exemptions, abatements and/or savings shall belong to Tenant. Owner agrees (at no cost to Owner) to cooperate with Tenant (by, for example executing any necessary documents, forms, applications reasonably acceptable to Owner) to facilitate Tenant's obtaining the exemptions, abatements and/or savings herein described. Owner's actual out-of-pocket cost to purchase electricity shall be determined by dividing Owner's cost of electricity consumed in the Building Project for a specific billing period by the number of kilowatt hours of electricity consumed in the Building Project during such billing period.

(ii) If Owner's Electric Rate shall change after the date hereof, the Electric Factor shall be adjusted to reflect such change in Owner's cost of providing electricity to the Demised Premises.

(iii) So long as any portion of Tenant's electric usage is on a surveyed basis, Owner, at its cost and expense may monitor by placement upon Tenant's major equipment (including air conditioning) measuring devices or apparatus to ascertain that Tenant's electric usage conforms to the survey hours upon which the Electric Factor is based.

(C) (i) If Tenant elects to obtain electricity for any of Tenant's electrical needs in all or any part of the Demised Premises on a submetered basis, Tenant shall have the right, at Tenant's expense and option, to install submeters (each, a "Submeter", and collectively, the "Submeters") in the Building at such locations and in such manner and of such type as Tenant shall deem reasonably appropriate to facilitate the efficient measurement of the electricity used by Tenant. From and after the

installation of the Submeters and continuing throughout the period of time during the Term that such Submeters measure Tenant's electric use, Tenant, at Tenant's sole cost and expense, shall maintain, repair and replace the Submeters so that the same accurately measure Tenant's consumption of electricity in the portion(s) of the Building served by such Submeter(s) If Tenant shall fail to so maintain, repair or replace any of the Submeters for ten (10) days after receipt of written notice from Owner of the need for such maintenance, repair or replacement Owner may at Owner's option (but Owner shall not be obligated to) perform such maintenance, repair or replacement as Owner deems necessary to ensure the accurate and efficient operation of such Submeters and bill Tenant the reasonable costs and expenses incurred in connection therewith, with the next payment then due from Tenant as additional rent.

(ii) From and after the installation and commencement of operation of any Submeter, Tenant shall pay to Owner on account of the electricity thereafter consumed by Tenant, as measured by such Submeter, an amount (the "Submetered Electricity Charge") equal to 103% of Owner's actual out-of-pocket cost to purchase the electricity consumed by Tenant as measured by such Submeter(s) from the Utility Company supplying same. Tenant's monthly electricity usage through Submeter(s) shall be determined by monthly submeter readings (which shall be performed at Tenant's sole cost and expense by an independent company (the "Submeter Reader") that is reasonably acceptable to Owner). The method of calculating Owner's actual out-of-pocket cost to purchase the electricity consumed by Tenant shall be as set forth in Article 38 (B) (i) above. Accordingly, the Submetered Electricity Charge shall equal 103% of the product obtained by multiplying the number of kilowatt hours of electricity measured by the Submeters in a given billing period by a fraction, the numerator of which is Owner's actual out-of-pocket cost for all electricity consumed in the Building Project during such billing period and the denominator of which is the number of kilowatt hours of electricity consumed in the Building Project during such billing period.

(iii) Tenant shall pay the Submetered Electricity Charge set forth on the Submeter Bill (as hereinafter defined) within ten (10) days following its receipt of such bill. The parties hereto agree to use their best reasonable efforts to arrange to have all of the Submeters read within twenty-four (24) hours of each other on a monthly basis and to have the Submeters read concurrently with the Utility Company meter reading date for the Building Project.

(iv) If at any time following the installation and commencement of operation of the Submeters, any Submeter(s) are not functioning properly, the Submetered Electricity Charge for such period shall be deemed to be the amount obtained by multiplying: (a) a fraction, the numerator of which is the Submetered Electricity Charge for the affected space during the last full month that the Submeter(s) were properly functioning and the denominator of which is the actual number of days in such month; by (b) the number of days such Submeter(s) were not properly functioning. Notwithstanding the preceding sentence, such amount shall be appropriately adjusted if as a result of material seasonal changes or Tenant obtaining electricity in respect of different portions of the Demised Premises directly from a Utility Company, electricity use during the comparison period is substantially different.

(v) The Submeter Reader shall, during the Term, deliver to Tenant all of the bills (the "Submeter Bills") with respect to the Submetered Electricity Charge on a monthly basis. Owner shall arrange to have a duplicate copy of all of the Building's electric bills promptly sent to Tenant. Each Submeter Bill shall set forth each of the component charges comprising the Submetered Electricity Charge (and the calculations made to determine such charges) as measured by each individual Submeter. In the event that Tenant installs a totalizing meter for the purpose of demand measurement, all of the Submeters will be read and one bill submitted for each billing period. This bill shall set forth each of the components used to calculate the Submetered Electricity Charge, and the calculation based on Owner's Electric Rate made to

determine such charge. Owner shall maintain complete and accurate records at its place of business set forth hereinabove of Owner's Electric Rate each of the components thereof, all of the Building's electric bills, submeter readings, engineer's reports and all related matters in connection with electricity supplied to the Building and to Tenant, which records, shall at all times, cover a period of not less than the immediately preceding two (2) years. Such records shall be made available to Tenant or Tenant's designee during normal business hours upon Tenant's request. Owner, Tenant or either of their designees may inspect any electric meters or Submeters in the Demised Premises during normal business hours. Owner agrees that it shall promptly send a copy of any Building electric bill it receives and any other information reasonably required, to the Submeter Reader to enable such company to prepare the Submeter Bills in accordance with the terms of this Article.

(vi) If a central processing unit or any other information collection or processing device is used in the collection of and/or transmission of information from the Submeters ("CPU"), such CPU shall be accessible to Owner so that Owner can monitor the Submeters and place service calls for the repair thereof when it is deemed that any Submeter is not recording information correctly. The decision to install a CPU shall belong solely to Tenant and the cost of the initial installation thereof shall be borne solely by Tenant. Under no circumstances shall Owner permit other tenants to have access to or permit other tenants to have use of (or in any way benefit from the installation by Tenant of) a CPU and Owner shall not use same.

(vii) If Tenant elects to obtain electricity on a submetered basis and thereafter, for any reason Owner is not legally permitted to charge Tenant for submetered electricity as provided herein, then Owner, at Tenant's election, if permitted under applicable law shall either: (a) furnish electricity to Tenant pursuant to the provisions of Article 38(B) above; or (b) furnish electricity to Tenant pursuant to the provisions of Article 38(D) below. In the event that Tenant is required by law to obtain electricity pursuant to any method other than the one then being utilized, such electricity shall be furnished to Tenant by means of the then existing building system, feeders, risers

and wiring to the extent the same are suitable and safe for such purposes. Any additional equipment which may be required for Tenant to obtain electricity as may from time to time be required by law shall be installed by Owner with the reasonable cost (including without limitation the cost of labor, installation and costs incurred for splitting power) to be shared equally between Owner and Tenant.

(D) If Tenant elects to obtain electricity for any of Tenant's electrical needs in all or any part of the Demised Premises directly from a Utility Company, the cost of such electricity shall be paid by Tenant directly to such Utility Company, and Tenant shall be responsible for the cost of installing equipment to effectuate such method (not to be included as a reimbursible item in subparagraph E, below).

(E) If at anytime during the Term, there is insufficient power in the Building to service Tenant's reasonable needs, Owner, at its sole cost and expense shall take all actions reasonably necessary (including without limitation applying for additional power to a Utility Company serving the Building) to provide Tenant with the electrical power it requires to conduct its business at the Demised Premises unless Tenant has caused such insufficiency of power through its negligent acts or willful misconduct in which event such Owner's action shall be taken at the sole cost and expense of Tenant. Notwithstanding anything to the contrary contained herein, in order to insure that the existing capacity of the electrical equipment in or otherwise serving the Demised Premises or the Building is not exceeded and to avert any possible adverse effect upon the Building's electrical service, Tenant shall not make any material alterations or additions or connections to the electric system of the Demised Premises or the Building existing as of the date hereof (unless same are depicted on plans approved in writing by Owner), without obtaining Owner's written direction as to which risers such additions, alterations or connections should be connected to, which direction shall not be unreasonably withheld or delayed. If Owner fails to give Tenant such direction within fifteen (15) business days following a request therefor, Owner shall be deemed to have given its direction to Tenant to connect such addition or alteration to risers which Tenant chooses in Tenant's reasonable business judgement, three (3) business days after Tenant has delivered to Owner at anytime following twelve (12) business days after the

initial request is made, a second request for direction notifying Owner that Owner's direction will be deemed given if no response is delivered to Tenant within said three (3) business day period. If Tenant complies with Owner's directions regarding the location of the connection to certain risers and such directions prove to be faulty, inaccurate or insufficient, Owner shall reimburse Tenant for any and all costs and expenses incurred by Tenant to: (i) transfer and rearrange the connection of its installations or equipment to adequate power lines; and (ii) repair any and all damage to Tenant's improvements, installations or property caused by Tenant's reliance on Owner's initial directions. If at any time during the Term as a result of Tenant's excessive use of electricity in the Demised Premises, Owner is required to install additional risers and related equipment or transfer power from existing power lines to other existing power lines (hereinafter collectively referred to as "Additional Electrical Equipment") to supply Tenant with the electricity Tenant reasonably requires, Tenant shall (subject to the terms of the next sentence) reimburse Owner for the reasonable actual cost of such Additional Electrical Equipment and the installation thereof within ten (10) days of the presentation to Tenant of bills therefor. At the expiration or earlier termination of this lease (unless such earlier termination results from Tenant's breach of its obligations in this lease), Owner shall promptly return to Tenant that percentage of the cost of such Additional Electrical Equipment and the installation thereof paid by Tenant ("Tenant's Electrical Equipment Cost") in the last six (6) calendar years of the Term (as the same may have been extended), together with interest at the Interest Rate plus three (3%) percent accruing only from the expiration or earlier termination date of the Term, as follows: (1) Twenty (20%) percent of the Tenant's Electrical Equipment Cost actually paid by Tenant in the sixth (6th) to last year; (2) Forty (40%) percent of Tenant's Electrical Equipment Cost actually paid by Tenant in the fifth (5th) to last year; (3) Sixty (60%) percent of Tenant's Electrical Equipment Cost actually paid by Tenant in the fourth (4th) to last year; (4) Eighty (80%) percent of Tenant's Electrical Equipment Cost actually paid by Tenant in the third (3rd) to last year; and (5) One Hundred (100%) percent of Tenant's Electrical Equipment Cost actually paid by Tenant in the second (2nd) to last and last year. Owner shall not install any Additional Electrical Equipment for which it intends to seek reimbursement from Tenant without the consent of Tenant (which consent shall not be

unreasonably withheld or delayed). Any request by Owner for Tenant's consent to the installation of Additional Electrical Equipment shall be accompanied by a statement setting forth at least the following: (a) Owner's calculation of Tenant's excessive use of Electricity as indicated by a survey (to be paid for by Owner), which shall be made as close as possible to Owner's request for Tenant's consent, measuring Tenant's total connected load for all equipment in the Demised Premises at the time the survey is made; (b) the cost of such Additional Electrical Equipment (accompanied by a proposal for the supply and installation of such equipment competitive in price from a reputable supplier and installer); and (c) proof that Tenant's excessive use is causing the need for the Additional Electrical Equipment. If Tenant and Owner cannot agree as to whether such additional electrical equipment is required or as to the cost therefor, they shall proceed to arbitration pursuant to Article 45 herein to resolve any dispute. The burden of proof shall be on Owner to show that Tenant's use is excessive and to prove that Tenant's excessive use of electricity is causing the need for Additional Electrical Equipment. If Owner shall install such Additional Electrical Equipment if same is required to supply Tenant with the amount of electricity Tenant reasonably requires then Owner shall be entitled to timely reimbursement from Tenant for the cost of the Additional Electrical Equipment, subject to subparagraph (F) below.

For purposes of this Article, "excessive use" shall mean that Tenant's total connected load in the Demised Premises on average calculated separately for each area serviced by the same risers and calculated on a per square foot basis, is significantly more than Tenant's total connected load in the Demised Premises calculated separately for each area serviced by the same risers and on average and calculated on a per square foot basis, as of the date hereof.

(F) If Tenant shall dispute any determination made by Owner or Owner's electrical engineer or consultant ("Owner's Engineer") with respect to electricity which is to be provided to Tenant pursuant to this lease or the charges therefor, such dispute shall be resolved by agreement between

Owner's Engineer and Tenant's electrical engineer or consultant ("Tenant's Engineer"). If Owner's Engineer and Tenant's Engineer cannot resolve a dispute hereunder, they shall jointly select an independent third consultant. If Owner's Engineer and Tenant's Engineer are unable to agree on the selection of a third consultant within thirty (30) days, then the third consultant shall be appointed by the Real Estate Board of New York. Such consultant must have at least ten (10) year's experience as an electrical consultant in New York City. The third consultant shall collect whatever information and data pursuant to whatever method, he/she deems reasonably necessary to make his/her determination and shall conduct his/her own survey. In making his/her determination, such third consultant shall not review the determination of Owner's Engineer or Tenant's Engineer. The finding of the third consultant shall be binding and conclusive upon Owner and Tenant if the finding of the third consultant is within ten (10%) percent of the findings of both Owner's Engineer and Tenant's Engineer. If the finding of the third consultant varies from either Tenant's or Owner's finding by more than ten (10%) percent, then the determination of the third consultant shall not be binding upon either Owner or Tenant. In such event and if the parties hereto cannot resolve their dispute, then the dispute shall be submitted to arbitration pursuant to Article 45 hereof. The fees of the third consultant shall be split equally between Owner and Tenant. Until such time as the dispute is resolved as hereinabove provided, Tenant shall be obligated to pay the disputed charge without prejudice to Tenant's position. Except as stated in the next sentence, if it is determined that Tenant has overpaid, Tenant shall be entitled to a credit in the amount of such excess plus interest at the Interest Rate against the next succeeding payments due from Tenant for Fixed Rent and additional rent and such credit shall be indicated on Tenant's rent bill. If such dispute is resolved at the end of the Term or thereafter, any overpayment by Tenant shall be paid by Owner to Tenant within ten (10) days of the resolution of such dispute. The provisions of this Article 38(F) shall survive the expiration or earlier termination of the Lease.

(G) If at anytime Tenant elects to change the method by which it obtains or is billed for electricity pursuant to the provisions of this Article 38, Owner shall not reduce or discontinue the supply of electricity to Tenant until Tenant obtains such service pursuant to such other method.

(H) Except as otherwise specified herein, Owner shall not be liable in any way to Tenant for any failure or defect in the supply, quantity or character of electric current furnished to the Demised Premises other than as may result from Owner's negligent acts or omissions or willful misconduct. Owner shall not take any affirmative action to diminish the supply of electricity.

(I) Tenant, at Tenant's expense, shall purchase and install all lamps, bulbs, tubes, ballasts and starters used in the Demised Premises.

(J) Amounts due to Owner under this Article 38 shall be deemed additional rent."

Q. ARTICLE 27 OF THE ORIGINAL LEASE, SERVICES PROVIDED BY OWNER:

SUBPARAGRAPH (C)(iii): is deleted in its entirety, and replaced with:
" (C)(iii) Any air conditioning equipment including AC Equipment (as hereinafter defined) shall be the property of Owner upon the expiration or earlier termination of this Lease. Subject to the provisions of this subparagraph, Tenant may install such air conditioning equipment as it may reasonably require to provide air conditioning to the Demised Premises. Such equipment (including Tenant's air conditioning equipment installed in the Demised Premises prior to November 1, 1998), hereinafter referred to as "AC Equipment", may include, without limitation, duct work, piping, electric lines, defusers, controls and related

equipment, package units and cooling tower. Tenant shall be solely responsible for promptly repairing and maintaining the AC Equipment at Tenant's expense throughout the Term. Prior to installing any AC Equipment, Tenant shall obtain Owner's written consent, if required under Article 3 above, which consent shall not be unreasonably withheld or delayed. Tenant shall keep Owner apprised in writing of changes in AC Equipment. Owner hereby acknowledges that Tenant currently intends to install a cooling tower on a portion of the roof of the Building in a location reasonably acceptable to both parties and Owner hereby consents to such installation at Tenant's sole cost and expense (but at no charge from Owner), subject to Tenant providing Owner with an engineer's report (such engineer to be selected (and paid for) by Tenant and reasonably satisfactory to Owner) stating that such installation will be structurally sound and will not otherwise damage the Building. Owner hereby agrees to make available to Tenant, without charge, a shaft area for installation of Tenant's water riser, electrical riser, fresh air ducts and related equipment from the roof of the Building to the basement of the Building in a mutually acceptable location and size (both parties acting reasonably with regard thereto, it being understood, however that Tenant shall have priority with respect to the use of such shaft). Tenant shall cooperate (at no additional cost to Tenant) in good faith with Landlord to accommodate Landlord's use of such shaft. If Tenant needs to install a new shaft for its AC Equipment or Tenant's electrical equipment, Tenant shall notify Landlord thereof in writing and Tenant shall cooperate (at no additional cost to Tenant) in good faith with Landlord to accommodate Landlord's possible use of such shaft. Tenant agrees to timely pay for all water consumed by the AC Equipment as measured by meters or submeters to be installed, repaired and maintained therefor at Tenant's expense. Owner agrees, upon written request of Tenant, to promptly register any water meter or submeter installed by Tenant, at Tenant's expense, with the New York

City Agency having jurisdiction, and agrees that Tenant shall be entitled to any credit, rebate, benefit allowed, given or paid with respect to such meter, submeter or the water consumed by Tenant as long as same does not adversely affect Owner. Tenant shall timely pay all charges (sewer, water or other) in regard to any such meter(s) or submeter(s). Owner agrees to make available up to 450 square feet of mechanical space on a service floor of the building as and for Tenant's AC Equipment and/or Tenant's electrical equipment, and up to 300 square feet of space in a basement switch gear room of the Building as and for Tenant's electric equipment and/or if Tenant goes to direct electric metering per Article 38 below, in a location reasonably acceptable to both parties, for which Tenant shall thereupon pay \$12.50 per square foot per annum, as additional rent, in equal monthly installments the first day in advance of each month during the Term hereof, commencing the month that Tenant is given possession of such space until the expiration or earlier termination of this Lease, or such sooner time as Tenant ceases to use said space for its AC Equipment or Tenant's electrical equipment.

Owner agrees to contribute \$552,388.00 (the "AC Contribution") to Tenant's cost of the AC Equipment installed by Tenant after November 1, 1998, such Contribution to be made ten (10) days after presentation to Owner by Tenant of invoices indicating that at least such amount has been paid by Tenant for AC Equipment. If Owner fails to pay the AC contribution to Tenant for ten (10) days after notice that it is due, Tenant shall be entitled to setoff the amount thereof with interest at the Interest Rate (calculated from the due date of the payment) against Tenant's ensuing rental obligations to Owner. Upon any expiration or earlier termination of this Lease Tenant shall surrender all AC Equipment in its existing condition."

2. Except as set forth in Paragraph 1, above, the Lease is in all other respects ratified and confirmed. Each party confirms herewith that the other party is not in default under any provision of the Lease as of the date this Amendment is executed and delivered.

3. Owner and Tenant each represent that it has full authority to execute and deliver this Agreement, subject to Paragraph 4, below.

4. This First Amendment shall have no legal force and effect unless and until it is executed and delivered by both parties hereto, and any required mortgagee consent is obtained in writing.

5. Owner acknowledges that Tenant is currently seeking financial assistance from the New York City Industrial Development Agency and the Empire State Development Corp. In the event either of the agencies fails to induce and/or approve the final assistance packages being sought by Tenant by May 31, 1999, Tenant shall have a right to terminate and void this First Amendment by written notice delivered to Owner by June 30, 1999. If Tenant becomes aware of a manner in which Owner may benefit from any incentive program Tenant is negotiating or has applied for, then Tenant shall promptly advise Owner of same in writing.

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

LECHAR REALTY CORP.

LIZ CLAIBORNE INC.

BY: /S/LEON H. CHARNEY

LEON H. CHARNEY, PRESIDENT

BY: /S/SAMUEL MILLER

SAMUEL MILLER,
SENIOR VICE PRESIDENT-FINANCE
CHIEF FINANCIAL OFFICER

EXHIBIT A-1

UNIT NO. -----	SQUARE FEET -----
ROOM 201	15,730
ROOM 202	2,500
ROOM 203/203A	9,006
ROOM 300	17,401
ROOM 338	327
ROOM 400	7,870
ROOM 401	7,985
ROOM 402	2,355
ROOM 500	18,108
ROOM 601	6,155
ROOM 611	11,953
ROOM 700	18,000
ROOM 805	1,500
ROOM 815	2,368
ROOM 820	4,300
ROOM 840	1,036
ROOM 843	330
ROOM 870	3,914
ROOM 895	2,591
ROOM 897	2,070
ROOM 1201	1,742

UNIT NO. -----	SQUARE FEET -----
ROOM 1211	5,600
ROOM 1250	1,080
ROOM 1261	8,777
ROOM 1410	774
ROOM 1415	1,036
ROOM 1420	916
ROOM 1425	878
ROOM 1430	916
ROOM 1435	973
ROOM 1438	321
ROOM 1440	1,527
ROOM 1450	1,489
ROOM 1455	1,054
ROOM 1457	880
ROOM 1461	904
ROOM 1463	420
ROOM 1464/65	794
ROOM 1466	1,227
ROOM 1469	422
ROOM 1475	321
ROOM 1480	367
ROOM 1482	535

ROOM 1485	1,070
-----------	-------

UNIT NO. -----	SQUARE FEET -----
ROOM 1490	1,605
ROOM 1500	17,939
ROOM 1600	8,417
ROOM 1601	6,996
ROOM 1603	2,862
ROOM 1701	9,441
ROOM 1711	7,559
ROOM 1801	6,203
ROOM 1811	3,236
ROOM 1820	1,690
ROOM 1830	1,565
ROOM 1835	1,300
ROOM 1901	2,775
ROOM 1911	3,799
ROOM 1921	3,763
ROOM 1931	2,831
ROOM 2001A	1,700
ROOM 2002	1,500
ROOM 2009	2,170
ROOM 2010	1,325

ROOM 2020	1,952
ROOM 2030	3,168
ROOM 2040	2,250

UNIT NO. -----	SQUARE FEET -----
ROOM 2202	2,816
ROOM 2210	2,509
ROOM 2217/50	3,882
ROOM 2251	1,746

TOTALS:	276,521

EXHIBIT C-1
AUTOMATIC OPTION SPACE

SPACE -----	RENTABLE SQUARE FOOTAGE -----	INITIAL EXPIRATION DATE -----	TENANT -----
2301	791	12/31/98	City Girl Inc.
2303	2,100	10/31/99	Vacant
2305	520	3/31/2001	Dennelle Sales & Marketing Inc.
2701	1,345	6/30/99	Pretty Talk Inc.
2702	2,258	2/29/2008	St. Kitts Inc.
2703	2,439	7/31/99	Casa Maglia Inc.
2790	2,025	6/30/99	Pretty Talk Inc.

EXHIBIT C-2
CONTINGENT OPTION SPACE

SPACE -----	RENTABLE SQUARE FOOTAGE -----	INITIAL EXPIRATION DATE -----	TENANT -----
0900, 1000 & 1100 (entire 9th, 10th & 11th floors)	54,378 9th Floor: 18,170 10th Floor: 18,100 11th Floor: 18,108	1/31/2007	Ellen Tracy Inc.
2100 & 2900 (entire 21st & 29th floors)	17,039	11/14/2003	Marisa Christina Inc., as successor to Adrienne Vittadini Inc.
2300	1,250	3/31/2000	Belford Inc.
2304 & 2306	2,412	8/31/2000	St. Germain Inc.
2308	3,399	12/31/2002	GMR Fashions Inc.
2401	6,619	3/31/2006	Belford Inc.
2402 & 2410	5,013	1/31/2007	Ellen Tracy Inc.
2501 & 2502	3,213	7/31/2003	Francine Browner Inc.
2504, 2507 & 2508	6,541	1/31/2007	Gloria Vanderbilt Apparel
2601 & 2602	6,925	6/30/2006	Segrets Inc.
2604	2,829	6/30/2003	Segrets Inc.
2800 (entire 28th & 29th floors)	6,000	10/31/2006	Bimoteur Inc.
3000	5,996	5/31/2004	Donna Ricco Inc.
3102	2,333		L. Charney
3101	3,588	To be let, presently vacant	
3200	4,335	To be let, presently vacant	
3300	3,750	11/30/2001	Karen Kane Inc.
3400	3,628	4/30/2002	Serrance Inc.

SECOND AMENDMENT TO LEASE

AGREEMENT (this "Amendment"), made as of the 19th day of June 1998, by and between LECHAR REALTY CORP., a New York corporation, with its principal office address at 1441 Broadway, New York, NY 10018, hereinafter referred to as "Owner"; and LIZ CLAIBORNE, INC., a Delaware corporation, qualified to do business in the State of New York, with its principal office and showroom address at 1441 Broadway, New York, NY 10018, hereinafter referred to as "Tenant".

W I T N E S S E T H

WHEREAS, Owner and Tenant are parties to a written Agreement of Lease, dated as of the 1st day of January 1990, as amended by letter agreement dated August 4, 1994 and First Amendment: Lease Extension and Modification Agreement dated as of the 1st day of January 1998 (collectively, the "Lease") for a portion(s) of the building at 1441 Broadway, a/k/a 575 Seventh Avenue, New York City, New York (the "Building"; except as otherwise expressly specified in this document, all defined terms used in the Lease shall have the meanings herein that are ascribed to them in the Lease); and

WHEREAS, Tenant and Owner have agreed to amend and modify the Lease upon the terms and conditions hereinafter set forth:

NOW, THEREFORE, in consideration of TEN (\$10.00) DOLLARS in hand paid to the other, and for other and further valuable consideration, including the mutual covenants hereinafter set forth, Owner and Tenant agree that the Lease is hereby amended and modified as follows:

- 1. Owner hereby leases to Tenant and Tenant hereby hires from Owner Unit 338 in the Building containing 327 square feet ("Unit 338"). From and after the date hereof, Unit 338 shall be and be deemed to be included in and part of the Demised Premises. Exhibit A-1 attached hereto sets forth the Demised Premises as of June 19, 1998.
- 2. Except as set forth above, the Lease is in all other respects ratified and confirmed.

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

LECHAR REALTY CORP.

LIZ CLAIBORNE INC.

BY: /s/ LEON H. CHARNEY

BY: /s/ ROBERTA S. KARP

LEON H. CHARNEY, PRESIDENT

ROBERTA S. KARP
VICE PRESIDENT - CORPORATE
AFFAIRS AND GENERAL COUNSEL &
SECRETARY

Consented to by:

GENERAL ELECTRIC CAPITAL CORPORATION,
INDIVIDUALLY AND AS AGENT

BY: /s/ RICHARD ENGEL

EXHIBIT A-1

UNIT NO. -----	SQUARE FEET -----
ROOM 201	15,730
ROOM 202	2,500
ROOM 203/203A	9,006
ROOM 300	17,401
ROOM 338	327
ROOM 400	7,870
ROOM 401	7,985
ROOM 402	2,355
ROOM 500	18,108
ROOM 601	6,155
ROOM 611	11,953
ROOM 700	18,000
ROOM 805	1,500
ROOM 815	2,368
ROOM 820	4,300
ROOM 840	1,036
ROOM 843	330
ROOM 870	3,914
ROOM 895	2,591
ROOM 897	2,070
ROOM 1201	1,742
ROOM 1211	5,600
ROOM 1250	1,080

UNIT NO. -----	SQUARE FEET -----
ROOM 1261	8,777
ROOM 1410	774
ROOM 1415	1,036
ROOM 1420	916
ROOM 1425	878
ROOM 1430	916
ROOM 1435	973
ROOM 1438	321
ROOM 1440	1,527
ROOM 1450	1,489
ROOM 1455	1,054
ROOM 1457	880
ROOM 1461	904
ROOM 1463	420
ROOM 1464/65	794
ROOM 1466	1,227
ROOM 1469	422
ROOM 1475	321
ROOM 1480	367
ROOM 1482	535
ROOM 1485	1,070
ROOM 1490	1,605
ROOM 1500	17,939
ROOM 1600	8,417
ROOM 1601	6,996
ROOM 1603	2,862

UNIT NO. -----	SQUARE FEET -----
ROOM 1701	9,441
ROOM 1711	7,559
ROOM 1801	6,203
ROOM 1811	3,236
ROOM 1820	1,690
ROOM 1830	1,565
ROOM 1835	1,300
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ROOM 2009	2,170
ROOM 2010	1,325
ROOM 2020	1,952
ROOM 2030	3,168
ROOM 2040	2,250
ROOM 2202	2,816
ROOM 2210	2,509
ROOM 2217/50	3,882
ROOM 2251	1,746

TOTALS:	276,521

THIRD AMENDMENT TO LEASE

AGREEMENT (this "Amendment") made as of 29th day of September 1999, by and between LECHAR REALTY CORP., a New York corporation, with its principal office address at 1441 Broadway, New York, NY 10018 ("Owner") and LIZ CLAIBORNE INC., a Delaware corporation qualified to do business in the State of New York, with its principal office and showroom at 1441 Broadway, New York, NY 10018 ("Tenant").

W I T N E S S E T H :

WHEREAS:

(i) Owner and Tenant are parties to a lease (the "Original Lease") dated as of January 1, 1990, as amended by letter agreement dated August 4, 1994, a First Amendment: Lease Extension and Modification Agreement dated as of January 1, 1998 (the "First Amendment"), and a Second Amendment to Lease dated as of June 19, 1998 (collectively, the "Lease") for portions of the building at 1441 Broadway, a/k/a 575 Seventh Avenue, New York, NY (the "Building", except as otherwise expressly specified in this Amendment, all defined terms used in the Lease shall have the meanings herein that are ascribed to them in the Lease); and

(ii) Tenant and Owner have agreed to amend and modify the Lease upon the terms and conditions hereinafter set forth:

NOW, THEREFORE, in consideration of Ten Dollars and 00/100 (\$10.00) and other and further good and valuable consideration, including the mutual covenants hereinafter set forth, Owner and Tenant agree that the Lease is hereby amended and modified as follows:

1. Owner hereby leases to Tenant and Tenant hereby hires from Owner the entire 21st Floor of the Building (including the terrace (the "Terrace") adjacent thereto) containing 11,039 square feet ("Unit 2100") for a term

commencing on the date (the "Possession Date") Owner delivers vacant possession of Unit 2100 to Tenant and ending on December 31, 2012 (as such date may be extended in accordance with the terms of the Lease). From and after the Possession Date, Unit 2100 shall be and be deemed to be included in and part of the Demised Premises.

2. Owner hereby agrees to deliver possession of Unit 2100 to Tenant on or before October 1, 1999 (the "Due Date"), in the condition it is in on the date hereof, subject only to normal wear and tear hereafter occurring (but the foregoing shall not abrogate the provisions of Article 44 of the Original Lease which Owner hereby expressly acknowledges and agrees are applicable to Unit 2100). If for any reason whatsoever Owner fails to deliver possession of Unit 2100 to Tenant on the Due Date, Owner shall abate two (2) days of the rent that would otherwise first become payable hereunder in respect of Unit 2100 for each day that elapses after the Due Date and before the Possession Date.
3. From and after the ninetieth (90th) day following the Possession Date, through and including November 14, 2003, Tenant shall pay Owner \$397,404.00 per year in Fixed Annual Rent (inclusive of \$33,117.00 in electric charges) in respect of Unit 2100 in lieu of all other amounts specified in the Lease or otherwise, it being expressly acknowledged and agreed that no amounts shall be due in respect of Unit 2100 for the period between the Possession Date and November 15, 2003, pursuant to the First Amendment or the other portions of the Lease. From November 15, 2003, through and including December 31, 2012, the Fixed Annual Rent payable in respect of Unit 2100 shall equal 95% of the fair market rental value of such space on November 15, 2003, determined pursuant to Article 41 of the Original Lease as though Unit 2100 were vacant and unimproved and then being leased for a term equal to the remainder of the Term, taking into account: (i) the amounts payable in respect of Unit 2100 pursuant to Articles 36 and 37 of the Original Lease (as modified in the First

Amendment); (ii) the "Base Tax Year" and "Base Year" in the First Amendment, respectively specified; and (iii) the agreement of Owner and Tenant, hereby confirmed, that even though Tenant has exclusive use of the Terrace, no rent shall be attributable thereto. Owner and Tenant hereby agree to seek prior to October 1, 2003 to determine the Fixed Annual Rent applicable to the period after November 15, 2003, but if Owner and Tenant are unable to reach agreement with respect thereto, such Fixed Annual Rent shall be determined by arbitration conducted pursuant to Article 45 of the Original Lease. The cost of electricity in respect of Unit 2100 shall not, after November 14, 2003, be included in the Fixed Annual Rent but rather shall be borne and determined in the same manner as is applicable to the balance of the Demised Premises.

4. During the period from the Possession Date, through and including November 14, 2003, Article 37(A), (B), (D), (F) and (G) of the Original Lease as set forth therein shall be applicable to Unit 2100 (notwithstanding the modifications set forth in the First Amendment), except that: (i) the words "together with welfare, pension and FICA payments imposed on such wage rate" shall be deemed deleted from the 24th and 25th lines of Article 37(A); (ii) the last sentence of Article 37(A) shall be deemed deleted therefrom; (iii) the date "January 1, 1991" and the years "1991" and "1992" appearing in Articles 37(D) and 37(E) shall be deemed changed to "January 1, 2000" and "2000" and "2001," respectively; (iv) all references to the "Price Index" shall be deemed deleted; and (v) the reference in Article 37(G) to the expiration of the Term shall be deemed to be a reference to November 14, 2003. Owner and Tenant expressly agree that Article 37 of the Original Lease (by reason of Paragraph 1C of the First Amendment) shall be entirely inapplicable after December 31, 1999, except as herein expressly specified in respect of Unit 2100, and only with respect thereto during the period from the Possession Date through and including November 14, 2003.

5. Article 36 of the Original Lease, as modified by Paragraph 1(B) of the First Amendment, shall apply to Unit 2100 during the period from the Possession Date, through and including November 14, 2003, except that: (i) the term "Base Taxes" shall mean the Taxes payable during the 1999/2000 Tax Year; and (ii) "Tenant's Proportionate Tax Share" shall mean .024262%. Owner and Tenant expressly agree that Article 36 of the Original Lease, as modified herein and in the First Amendment, shall apply only to Unit 2100 and only during the period from the Possession Date, through and including November 14, 2003.
6. The 29th Floor of the Building (6,000 square feet) shall be deemed to be Automatic Option Space rather than Contingent Option Space, and Unit 2100 shall no longer be deemed to be Contingent Option Space.
7. Owner and Tenant hereby represent and warrant to each other that: (i) no broker has been involved in the negotiation of this Amendment other than Colliers ABR Inc. ("Colliers"), Newmark & Company Real Estate, Inc. ("Newmark") and Winoker Realty Co., Inc. ("Winoker"); and (ii) Colliers and Winoker have agreed not to seek a commission from Owner or Tenant in connection with this Amendment. Tenant hereby agrees to pay Newmark any commission to which it may be entitled pursuant to a written agreement between Tenant and Newmark. Owner and Tenant hereby each indemnify the other from any breach by the indemnitor of the aforesaid representations and warranties.
8. Except as set forth above, the Lease is in all other respects hereby ratified and confirmed.

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

OWNER:

LECHAR REALTY CORP.

BY: /s/ LEON H. CHARNEY

LEON H. CHARNEY, PRESIDENT

TENANT:

LIZ CLAIBORNE, INC.

BY: /s/ JOHN DEFALCO

JOHN DEFALCO
VICE PRESIDENT - PROFIT IMPROVEMENT
AND FACILITIES MANAGEMENT

CONSENTED TO BY:

GENERAL ELECTRIC CAPITAL CORPORATION,
INDIVIDUALLY AND AS AGENT

BY: /s/ RICHARD ENGEL

AUTHORIZED REPRESENTATIVE

DESCRIPTION OF SUPPLEMENTAL LIFE INSURANCE PLANS

Vice Presidents of Liz Claiborne, Inc. (the "Company") receive universal life insurance policies which provide coverage equal to two times annual base salary. The Company pays the premiums on each policy during the employment period, enabling the employee to have a portable life insurance policy with a minimal cash surrender value.

AMENDED AND RESTATED LIZ CLAIBORNE SEC.162(m) CASH BONUS PLAN

1. Definitions.

The following terms have the meanings indicated unless a different meaning is clearly required by the context:

1.1 "Board of Directors" means the Board of Directors of the Company.

1.2 "Code" means the Internal Revenue Code of 1986, as amended.

1.3 "Committee" means the Compensation Committee of the Board of Directors or a subcommittee thereof. The Committee at all times shall be composed of at least two directors of Liz Claiborne, Inc., each of whom shall be "outside directors" within the meaning of sec.162(m) of the Code.

1.4 "Company" means Liz Claiborne, Inc. and its consolidated subsidiaries and affiliates.

1.5 "Executive Officer" has the meaning set forth in Rule 3b-7 promulgated under the Securities Exchange Act of 1934, as amended.

1.6 "Participant" means an individual who participates in the Plan pursuant to Section 3.1.

2. Purpose.

The purpose of the Plan is to provide annual incentives to certain senior executive officers in a manner designed to reinforce the Company's performance goals; to strengthen the Company's "pay for performance" ethic by linking a significant portion of participants' compensation to the achievement of such goals; and to continue to attract, motivate and retain high performing executives on a competitive basis, while seeking to preserve for the benefit, to the extent practicable, a tax deduction by the Company for payments of incentive compensation to such executives through payment of qualified "performance-based" compensation within the meaning of sec.162(m) (4) (C) of the Code.

3. Participation.

3.1 An individual shall be a Participant in the Plan for a fiscal year of the Company if he or she (a) is an Executive Officer of Liz Claiborne, Inc. on the first day of such year or becomes an Executive Officer of Liz Claiborne, Inc. during such year by virtue of being hired or promoted and (b) has a base salary in excess of \$500,000 per year or is reasonably expected by the Committee to have compensation for such year in excess of \$1.0 million; provided, however, that if the Committee determines, in its discretion, prior to the ninety-first day (91st) day of such fiscal year, that it would be in the best interests of the Company and its stockholders for one or more otherwise eligible Executive Officers not to be a participant for such year, such person shall not be a Participant for such year and the Committee may in its discretion establish alternative incentive compensation arrangements for such person; provided, however, no individual who is so excluded as a Participant for a fiscal year shall have any entitlement to participate in any such alternative incentive compensation arrangement.

3.2 An individual who is a Participant in the Plan for a fiscal year shall not participate for such fiscal year in the Company's regular annual bonus program.

4. Performance Goals.

4.1 Prior to the ninety-first (91st) day of each fiscal year of the Company, the Committee shall set one or more objective performance goals for each Participant for such year. Such goals shall be expressed in terms of (a) one or more corporate or divisional earnings-based measures (which may be based on the following: net income, operating income, cash flow, residual income, or any combination thereof) and/or (b) one or more

corporate or divisional sales-based measures. Each such goal may be expressed on an absolute and/or relative basis, may employ comparisons with past performance of the Company (including one or more divisions) and/or the current or past performance of other companies, and in the case of earnings-based measures, may employ comparisons to capital, stockholders' equity and shares outstanding.

4.2 Except as otherwise provided herein, the measures used in performance goals set under the Plan shall be determined in accordance with generally accepted accounting principles ("GAAP") and in a manner consistent with the methods used in the Company's regular reports on Forms 10-K and 10-Q, without regard to any of the following unless otherwise determined by the Committee consistent with the requirements of sec.162(m)(4)(C) and the regulations thereunder:

(a) all items of gain, loss or expense for the fiscal year that are related to special, unusual or non-recurring items, events or circumstances affecting the Company or the financial statements of the Company;

(b) all items of gain, loss or expense for the fiscal year that are related to (i) the disposal of a business or discontinued operations or (ii) the operations of any business acquired by Company during the fiscal year; and

(c) all items of gain, loss or expense for the fiscal year that are related to changes in accounting principles or to changes in applicable law or regulations.

4.3 To the extent any objective performance goals are expressed using any earnings or sales-based measures that require deviations from GAAP, such deviations shall be at the discretion of the Committee.

5. Bonus Awards.

5.1 At the time that annual performance goals are set for Participants, the Committee shall establish a maximum award opportunity for each Participant for the year that is related to the Participant's base salary at the start of the year by a formula that takes account of the degree of achievement of the goals set for the Participant; provided, however, that the Committee shall have absolute discretion to reduce the actual bonus payment that would otherwise be payable to any Participant on the basis of achievement of performance goals.

5.2 The maximum award paid to a Participant in respect of a particular fiscal year shall in no event exceed \$2.0 million.

5.3 Bonuses determined under the Plan shall be paid to Participants in cash at such time as bonuses are generally paid to other Executive Officers; provided, however, that no such payment shall be made until the Committee has certified (in the manner prescribed under applicable regulations under sec.162(m) of the Code) that the performance goals and any other material terms related to the award were in fact satisfied; and provided further that the timing of any such payment may be deferred pursuant to an agreement between the Company and a Participant or under Section 7.6 hereof.

5.4 In the event of the death of a Participant prior to any payment otherwise required pursuant to Section 5.3, such payment shall be made to the representative of the Participant's estate.

5.5 In the event of the death, disability, retirement or other termination of employment of a Participant during a fiscal year, the Committee shall, in its discretion, have the power to award to such Participant (or the representative of the Participant's estate) an equitably prorated portion of the bonus which otherwise would have been earned by such Participant.

5.6 The right of a Participant or of any other person to any payment under the Plan shall not be assigned, transferred, pledged or encumbered in any manner and any attempted assignment, transfer, pledge or encumbrance shall be null and void and of no force or effect.

6. Administrative Provisions.

6.1 The Plan shall be administered by the Committee. The Committee shall have full, exclusive and final authority in all determinations and decisions affecting the Plan and Participants, including sole authority to interpret and construe any provision of the Plan, to adopt such rules and regulations for administering the Plan as it may deem necessary or appropriate in the circumstances, and to make any other determination it deems necessary or appropriate for the administration of the Plan. Decisions of the Committee shall be final and binding on all parties. All expenses of the Plan shall be borne by the Company.

6.2 No member of the Committee shall be liable for any action, omission, or determination relating to the Plan, and the Company shall indemnify and hold harmless each member of the Committee and each other director or employee of the Company or its affiliates to whom any duty or power relating to the administration or interpretation of the Plan has been delegated against any cost or expense (including counsel fees, which fees shall be paid as incurred) or liability (including any sum paid in settlement of a claim with the approval of the Committee) arising out of or in connection with any action, omission or determination relating to the Plan, unless, in each case, such action, omission or determination was taken or made by such member, director or employee in bad faith and without reasonable belief that it was in the best interests of the Company.

7. Miscellaneous.

7.1 The Plan was initially adopted by the Board of Directors on March 9, 1994, subject to stockholder approval (which was obtained on May 12, 1994), and took effect beginning with the fiscal year of the Company starting January 1, 1995. The Plan was amended and restated as of March 3, 1999, and, pursuant to the requirements necessary for awards under the Plan to constitute qualified performance-based compensation under sec.162(m) of the Code, the Plan, as so amended and restated, is being resubmitted for stockholder approval in 1999, with effect for payments otherwise payable in respect of fiscal years of the Company after the Company's 1999 fiscal year. No amount will be awarded hereunder in respect of any fiscal year after the 1999 fiscal year unless the Plan, as amended and restated, is approved by the Company's stockholders at their 1999 annual meeting. No bonus will be payable hereunder in respect of any fiscal year beginning after December 30, 2004.

7.2 The Board of Directors may at any time amend the Plan in any fashion or terminate or suspend the Plan; provided that no amendment shall be made which would cause bonuses payable under the Plan to fail to qualify for the exemption from the limitations of sec.162(m) of the Code provided in sec.162(m)(4)(C) of the Code. Upon any such termination, all rights of a Participant with respect to any fiscal year that has not ended on or prior to the effective date of such termination shall become null and void.

7.3 The Plan shall be governed by and construed in accordance with the internal laws of the State of New York applicable to contracts made, and to be wholly performed, within such State, without regard to principles of choice of laws.

7.4 All amounts required to be paid under the Plan shall be subject to any required Federal, state, local and other applicable withholdings or deductions.

7.5 Nothing contained in the Plan shall confer upon any Participant or any other person any right with respect to the continuation of employment by the Company or interfere in any way with the right of the Company at any time to terminate such employment or to increase or decrease the compensation payable to the Participant from the rate in effect at the commencement of a fiscal year or to otherwise modify the terms of such Participant's employment. No person shall have any claim or right to participate in or receive any award under the Plan for any particular fiscal year.

7.6 Notwithstanding any other provision hereunder, if and to the extent that the Committee determines the Company's Federal tax deduction in respect of an award hereunder may be limited as a result of sec.162(m) of the Code, the Committee may delay such payment as provided below. In the event the Committee

determines to delay the payment of a bonus or any portion thereof hereunder, the Committee shall credit the amount of the award so delayed to a book account. The amount so credited to the book account shall be adjusted to reflect gains and losses that would have resulted from the investment of such amount in any investment vehicle or vehicles selected by the Committee. Part or all of the amount credited to the Participant's account hereunder shall be paid to the Participant at such time or times as shall be determined by the Committee, if and to the extent the Committee determines that the Company's deduction for any such payment will not be reduced by sec.162(m) of the Code. Notwithstanding the foregoing, the entire balance credited to the Participant's book account shall be paid to the Participant within 90 days after the Participant ceases to be a "covered employee" within the meaning of sec.162(m) of the Code. The Participant shall have no rights in respect of such book account and the amount credited thereto shall not be transferrable by the Participant other than by will or laws of descent and distribution; any book account created hereunder shall represent only an unfunded unsecured promise by the Company to pay the amount credited thereto to the Participant in the future.

Dated: February 18, 2000

Denise V. Seegal
36 Pheasant Lane
Greenwich, CT 06830

Dear Denise,

As we have discussed, Liz Claiborne, Inc. ("Company") and you desire to amend certain aspects of your employment agreement with the Company dated September 25, 1996 ("Employment Agreement"), as extended by my letters to you dated September 22, 1999 and October 25, 1999. Unless otherwise noted, capitalized terms used but not defined in this letter shall have the meanings given such terms in the Employment Agreement. We hereby agree as follows:

1. Section 1 of the Employment Agreement is hereby amended and restated to read in its entirety as follows:

"The Company hereby employs you, and you hereby accept such employment and agree to serve the Claiborne Group, upon the terms and conditions hereinafter set forth, for a term commencing on October 24, 1996 and (unless sooner terminated as hereinafter provided) expiring on February 28, 2001 ("your term of employment"). Thereafter, your term of employment shall be extended on each February 28 thereafter for an additional twelve month period, unless either you or the Company shall otherwise notify the other of an election not to so renew by the preceding November 30."

2. Section 2 (a) of the Employment Agreement is hereby amended and restated to read in its entirety as follows:

"During your term of employment, you will hold the title and office of, and serve in the position of, President and shall perform such specific duties and services of a senior executive nature (including service as an officer, director or equivalent position of any subsidiary, affiliated company or venture of the Claiborne Group, without additional compensation) as the Chairman or the Board of Directors shall reasonably request consistent with your position, and consistent with the level of responsibility you have exercised with the Claiborne Group prior to the date hereof. Your performance shall be reviewed periodically in accordance with the Company's policies applicable to its senior most executives."

3. The first (1st) sentence of Section 3(a) of the Employment Agreement is hereby amended and restated to read in its entirety as follows:

The Company will pay you, commencing 1999 and thereafter during the term hereof, a base salary at an annual rate of not less than Seven Hundred and Thirty Thousand Dollars and 00/100 (\$730,000.00) subject to annual review by the Compensation Committee of the Board of Directors (the "Compensation Committee") and, in the discretion of such Committee, increase from time to time; provided that your Annual Base Salary shall be increased (but in no event shall it be decreased) on the date of the annual salary increase, during the term hereof (each, an "Increase Date") by an amount equal to the applicable Increase Rate times your Annual Base Salary in effect immediately prior to such increase; as used herein, the term "Increase Rate" shall mean (x) the percentage increase in the Consumer Price Index during the twelve-month period immediately preceding the Increase Date, but not to exceed (y) the annual salary increase guideline approved by the Compensation Committee (typically in March) and generally applicable to all executive officers of the Company. As used herein, the term "Consumer Price Index" means the Consumer Price Index for All Urban Consumers - New York, prepared by the Bureau of Labor Statistics of the United States Department of Labor, or if that Consumer Price Index is not then being published, the most nearly comparable successor index which you and the Company may agree upon or, if we fail to agree, an index to be designated by the Company's independent certified public accountants, with such adjustments necessary to permit us to carry out the provisions of this paragraph, and the determination of such accountants shall be final and binding for purposes hereof."

4. Sections 5 (b) and 5 (c) of the Employment Agreement are hereby amended and restated to read in its entirety as follows:

"(b) In the event that your term of employment is terminated (other than upon your death or Disability) during your term of employment (i) by the Company other than for Cause, or (ii) by you for Good Reason, then the Company shall pay to you an amount equal to your accrued but unpaid base salary through the date of such termination. In addition, so long as you shall not have breached your obligations to the Claiborne Group under Section 6 and 7 hereof, or your representation under Section 11 hereof (without limitation to any other remedy available to the Company), the Company shall pay to you, as and for a severance payment (1) on the eighth (8th) day after the receipt from you of your duly executed and delivered general release of the Company and the other entities then comprising the Claiborne Group, and their respective officers, directors, agents and representatives, in form and substance reasonably satisfactory to the Company, within twenty-one (21) days after being provided with a form thereof (your "General Release") (A) in substantially equal monthly installments over the period from the date of such termination for twelve (12) months, an aggregate amount equal to the greater of (i) what your base salary would have been for said period (using for such purpose the base salary rate in effect on the date of termination), or (ii) \$1 million, and (B) the amount of your out-of-pocket costs for continued medical coverage through such 12 month period pursuant to Section 4980B of the Internal Revenue Code of 1986, as amended, and (C) a portion of the annual bonus which you would have earned under the provisions of Paragraph 3 (b) of the Employment Agreement (as determined by the Company in good faith) prorated through the date of such termination; or (2) in the event that you do not deliver

you General Release as aforesaid, a lump sum payment of \$170,000. For the purpose of this Agreement, termination of employment hereunder by you for "Good Reason" shall mean your termination of your employment upon notice to the Company following assignment to you of duties inconsistent with your position as described in Section 2(a) or your being removed from such position, in either case without your consent, which termination shall be effective thirty (30) days after prompt notice of such circumstances by you to the Company, if such circumstances have not been cured prior to such date."

"(c) In the event that your term of employment is terminated (i) on account of your death or Disability, or (ii) upon the expiration of this Agreement in accordance with its terms

without renewal by the Company, and you then immediately leave the employ of the Company, the Company will pay to you (or if such termination is on account of Death, your estate) an amount equal to your accrued but unpaid base salary through the date of such termination, plus a portion of the annual bonus which you would have earned under the provisions of Paragraph 3(b) of the Employment Agreement, prorated through the date of such termination."

5. Section 7 (b) of the Employment Agreement is hereby amended and restated to read in its entirety as follows:

"(b) You agree that, during your term of employment and for a period of six (6) months thereafter, you shall not, directly or indirectly, own, manage, operate, join, control, participate in, invest in or otherwise be connected or associated with, in any manner, including as an officer, director, employee, partner, consultant, advisor, proprietor, trustee or investor, any Competing Business in the United States; provided however that nothing contained in this Section 9(b) shall prevent you from owning less than 2% of the voting stock of a publicly held corporation for investment purposes. For purposes of this Section 9(b), the term "Competing Business" shall mean Tommy Hilfiger Corporation, Jones Apparel Group Inc., Polo Ralph Lauren Corporation, Nautica Enterprises Inc., Donna Karan International Inc. or Calvin Klein Inc. provided that this clause (b) shall not apply in the event the Company elects not to renew this Agreement as set forth in Section 1 hereof and your employment terminates at the end of the term hereof unless the Company makes the payment provided in Section 5 (b).

6. Except to the extent specifically amended hereby, the provisions of the Employment Agreement shall remain unmodified, and as amended herein the Employment Agreement remain in full force and effect.

If the foregoing correctly sets forth your understanding, please indicate your acceptance by executing the enclosed copy of this letter in the space provided below, following which this will be a legally binding amendment to the Employment Agreement and RS Agreement as of the date first written above.

Very truly yours,

LIZ CLAIBORNE, INC.

BY: /s/Paul R. Charron

AUTHORIZED SIGNATURE

ACCEPTED AND AGREED:

/s/Denise V. Seegal

DENISE V. SEEGAL

[CHASE LOGO]

CREDIT AGREEMENT

dated as of

December 6, 1999

among

LIZ CLAIBORNE, INC.

The Lenders Party Hereto

and

THE CHASE MANHATTAN BANK,
as Administrative Agent

\$600,000,000 364-DAY REVOLVING CREDIT FACILITY

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EXHIBITS:

Exhibit A -- Form of Assignment and Acceptance
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CREDIT AGREEMENT dated as of December 6, 1999, among LIZ CLAIBORNE, INC., the LENDERS party hereto, and THE CHASE MANHATTAN BANK, as Administrative Agent.

The parties hereto agree as follows:

ARTICLE I

Definitions

SECTION I.1. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Administrative Agent" means The Chase Manhattan Bank, in its capacity as administrative agent for the Lenders hereunder.

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

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

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

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day, with respect to any Eurodollar Revolving Loan or ABR Revolving Loan, as the case may be, or with respect to the facility fees payable hereunder, the applicable rate per annum set forth below under the caption "Eurodollar Spread," "ABR Spread" or "Facility Fee Rate," based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt:

Level	Index Debt Rating	Eurodollar		Facility Fee Utilization	
		Spread	ABR Spread	Rate	Fee Rate
I	=> A-/A3	0.35%	0.00%	0.10%	0.125%
II	=> BBB+/Baa1 but	0.50%	0.00%	0.125%	0.125%
	< A-/A3				
III	=> BBB/Baa2 but	0.60%	0.00%	0.15%	0.25%
	< BBB+Baa1				
IV	=> BBB-/Baa3 but	0.80%	0.00%	0.20%	0.25%
	< BBB/Baa2				
V	<= BB+/Ba1	1.025%	0.00%	0.30%	0.25%

For purposes of the foregoing, (i) if either Moody's or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the penultimate sentence of this definition), then such rating agency shall be deemed to have established a rating in Level III; (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Levels, the Applicable Rate shall be based on the higher of the two ratings (i.e., the lower Level number) unless one of the two ratings is two or more Levels lower than the other, in which case the Applicable Rate shall be determined by reference to the Level next below that of the higher of the two Levels; and (iii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined by reference to the rating most recently in effect prior to such change or cessation. If, on any date, the outstanding principal amount of the Loans exceeds 33% of the aggregate amount of the Commitments then in effect (or, during the period after the Commitments have terminated, 33% of the aggregate amount of the Commitments immediately prior to such termination), the Eurodollar Spread or ABR Spread, as the case may be, for such date shall increase by the amount set forth in the above grid under the caption "Utilization Fee Rate," based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt.

"Assessment Rate" means, for any day, the annual assessment rate in effect on such day that is payable by a member of the Bank Insurance Fund classified as "well-capitalized" and within supervisory subgroup "B" (or a comparable successor risk classification) within the

meaning of 12 C.F.R. Part 327 (or any successor provision) to the Federal Deposit Insurance Corporation for insurance by such Corporation of time deposits made in dollars at the offices of such member in the United States; provided that if, as a result of any change in any law, rule or regulation, it is no longer possible to determine the Assessment Rate as aforesaid, then the Assessment Rate shall be such annual rate as shall be reasonably determined by the Administrative Agent to be representative of the cost of such insurance to the Lenders.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

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

"Base CD Rate" means the sum of (a) the Three-Month Secondary CD Rate multiplied by the Statutory Reserve Rate plus (b) the Assessment Rate.

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

"Borrower" means Liz Claiborne, Inc., a Delaware corporation.

"Borrowing" means Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

"Borrowing Request" means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Lease Obligations" means the obligations of the Borrower and its Subsidiaries to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a consolidated balance sheet of the Borrower under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Change in Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) of shares representing more than 33 1/3% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower; or (b) occupation of a majority of the seats (other than vacant seats) on the board

of directors of the Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.12(b), by any lending office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

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

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.06 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable.

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income or franchise tax expense, (b) interest expense, both expensed and capitalized, amortization or writeoff of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness (including the Loans), (c) depreciation and amortization expense, (d) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (e) any extraordinary, unusual or non-recurring non-cash expenses or losses (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, non-cash losses on sales of assets outside of the ordinary course of business), and (f) any other non-cash charges, and minus, to the extent included in the statement of such Consolidated Net Income for such period, the sum of (a) interest income, (b) any extraordinary, unusual or non-recurring income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains on the sales of assets outside of the ordinary course of business) and (c) any other non-cash income, all as determined on a consolidated basis.

"Consolidated EBITDAR" means, with respect to any period, Consolidated EBITDA for such period plus, the Consolidated Rental Expense of the Borrower for such period.

"Consolidated Interest Expense" means, for any period, (a) the total amount of interest expense, both expensed and capitalized, of the Borrower and its Subsidiaries determined on a consolidated basis, without duplication, in accordance with GAAP for such period minus (b) the amount of interest income of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP for such period

"Consolidated Net Income" means, for any period, the consolidated net income (or loss) of a Borrower and its Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person

accrued prior to the date it becomes a Subsidiary of such Borrower or is merged into or consolidated with such Borrower or any of its Subsidiaries, (b) the income (or deficit) of any Person (other than a Subsidiary of such Borrower) in which such Borrower or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by such Borrower or such Subsidiary in the form of dividends or similar distributions and (c) the undistributed earnings of any Subsidiary of such Borrower to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation (other than under the Agreement) or Requirement of Law applicable to such Subsidiary.

"Consolidated Rental Expense" means, for any period, the aggregate amount of fixed and contingent rentals payable by the Borrower and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP with respect to leases of real property minus the aggregate amount of rental income (including licensee related income from licensees operating on the store premises of the Borrower and its Subsidiaries) payable to the Borrower and its Subsidiaries for such period in accordance with GAAP with respect to leases of real and personal property.

"Consolidated Total Debt" means, at any date, the aggregate principal amount of the Indebtedness of the Borrower and its Subsidiaries at such date set forth on the Borrower's consolidated balance sheet opposite the captions "Current Portion of Long Term Borrowings," "Long Term Borrowings" and "Short Term Borrowings," determined on a consolidated basis in accordance with GAAP.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bond.

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

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06.

"dollars" or "\$" refers to lawful money of the United States of America unless otherwise specified.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Environmental Laws" means all applicable laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, which relate in any way to the

environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to human health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract or agreement pursuant to which liability is incurred by the Borrower or any Subsidiary with respect to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article VII.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located

and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.16(b)), any United States withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement or at the time such Lender changes its applicable lending office or is attributable to such Foreign Lender's failure or inability to comply with Section 2.14(e), except to the extent that such Foreign Lender's assignor (if any) or such Foreign Lender, in the case of a Lender that changes its applicable lending office, was entitled, at the time of assignment or at the time of the change in applicable lending office, to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.14(a).

"Extended Maturity Date" has the meaning set forth in Section 2.07.

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

"Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of the Borrower.

"Fixed Charge Coverage Ratio" means, as at the last day of any period, Consolidated EBITDAR divided by the sum of Consolidated Interest Expense plus Consolidated Rental Expense.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"GAAP" means generally accepted accounting principles in the United States of America.

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

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the

payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Hazardous Materials" means all radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, and all other substances or wastes regulated under any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (d) all obligations of such Person in respect of the deferred purchase price of property or services (excluding accounts payable incurred in the ordinary course of business), (e) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (f) all Guarantees by such Person of Indebtedness of others, (g) all Capital Lease Obligations of such Person, (h) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (i) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include, without duplication, the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Index Debt" means senior, unsecured, long-term indebtedness for borrowed money of the Borrower that is not guaranteed by any other Person or subject to any other credit enhancement.

"Interest Election Request" means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.05.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each March, June, September and December, and (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"Interest Period" means with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months (or to the extent available to all Lenders, nine or twelve months) thereafter, as the Borrower may elect; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made or if initially an ABR Loan, on the date initially converted and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance.

"Leverage Ratio" means, as at the last day of any period, the ratio of (a) Consolidated Total Debt on such day to (b) Consolidated EBITDA for such period.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered to the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" means this Agreement, the Subsidiary Guarantee and any Notes.

"Loan Parties" means the Borrower and each Subsidiary that is a party to a Loan Document.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations or condition, financial or otherwise, of the Borrower and the Subsidiaries taken as a whole, (b) the ability of the Borrower to perform any of its obligations under this Agreement or (c) the rights of or benefits available to the Lenders under this Agreement and the Subsidiary Guarantee.

"Material Indebtedness" means Indebtedness (other than the Loans), or obligations in respect of one or more Hedging Agreements, of any one or more of the Borrower and its Subsidiaries in an aggregate principal amount exceeding \$25,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Maturity Date" means December 4, 2000.

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

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Note" has the meaning set forth in Section 2.07(e).

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

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Acquisition" means any acquisition by the Borrower or any Subsidiary of any of the assets of, or capital stock in, a Person or of a division or line of business of a Person if, immediately after giving effect thereto, (a) no Default has occurred and is continuing or would result therefrom, (b) the principal business of any such acquired Person, division or line of business shall be a Permitted Line of Business, (c) all actions required to be taken under Section 5.10 with respect to any Subsidiary acquired or newly formed in connection with such acquisition have been taken, (d) the Borrower and its Subsidiaries are in compliance, on a pro forma basis after giving effect to such acquisition, with the covenants contained in Section 6.01 recomputed as at the last day of the most recently ended fiscal quarter of the Borrower for which financial statements are available, as if such acquisition had occurred on the first day of each relevant period for testing such compliance and (e) the Borrower has delivered to the Administrative Agent an officers' certificate to the effect set forth in clauses (a), (b), (c) and (d) above, together with all relevant financial information for the Person or assets to be acquired and reasonably detailed calculations demonstrating satisfaction of the requirement set forth in clause (d) above.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.05;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.05;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) Liens granted and deposits made to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business; and

(e) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower or any Subsidiary;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Permitted Lines of Business" means (a) the business of the Borrower as conducted on the Effective Date, (b) any wholesale, retail or other distribution of products (including catalogue and internet) or services under any Trademark or any derivative thereof, (c) any similar business and any business which provides a service and/or supplies products in connection with any business described in clause (a) or (b) above or (d) any reasonable modification or extension thereof.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

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

"Register" has the meaning set forth in Section 9.04.

"Regulation U" means Regulation U of the Board as in effect from time to time.

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

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time.

"Requirement of Law" means, as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer" means the chief executive officer, president, any vice president or Financial Officer of the Borrower, but in any event, with respect to financial matters, a Financial Officer of the Borrower.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any shares of any class of capital stock of the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of capital stock of the Borrower or any option, warrant or other right to acquire any such shares of capital stock of the Borrower.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans at such time.

"Revolving Loan" means a Loan made pursuant to Section 2.03.

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject (a) with respect to the Base CD Rate, for new negotiable nonpersonal time deposits in dollars of over \$100,000 with maturities approximately equal to three months and (b) with respect to the LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subordinated Indebtedness": any Indebtedness of the Borrower, provided that with respect to any such Indebtedness (i) no part of the principal of such Indebtedness is stated to be payable or is required to be paid (whether by way of mandatory sinking fund, mandatory

redemption, mandatory prepayment or otherwise) prior to the Maturity Date or, if such Maturity Date is extended pursuant to Section 2.02, the Extended Maturity Date and the payment of principal of which and (subject to clause (ii) below) any other obligations of the Borrower in respect thereof are subordinated to the prior payment in full of principal of and interest (including post-petition interest) on the Loans and all other obligations and liabilities of the Borrower to the Administrative Agent and the Lenders hereunder on terms and conditions first approved in writing by the Required Lenders, (ii) no part of the interest accruing on such Indebtedness (other than interest payable solely in kind which shall be similarly subordinated) is payable, without the prior written consent of the Required Lenders, after a Default or Event of Default has occurred and is continuing, and (iii) such Indebtedness otherwise contains terms, covenants and conditions in form and substance reasonably satisfactory to the Required Lenders, as evidenced by their prior written approval thereof.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any wholly-owned subsidiary of the Borrower and any other subsidiary of the Borrower that the Borrower and the Administrative Agent agree in writing to designate as a "Subsidiary", it being understood that the Borrower and the Administrative Agent have agreed to designate each of the entities set forth on Schedule 3.13 as a Subsidiary.

"Subsidiary Guarantee" means the Subsidiary Guarantee, substantially in the form of Exhibit C, among the Subsidiary Guarantors signatories thereto and the Administrative Agent, for the benefit of the Lenders.

"Subsidiary Guarantor" means each Subsidiary indicated on Schedule 3.13 as being a "Subsidiary Guarantor", together with each other Subsidiary that becomes a party to the Subsidiary Guarantee in compliance with Section 5.10.

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

"Three-Month Secondary CD Rate" means, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day is not a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day) or, if such rate is not so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day is not a Business Day, on the next

preceding Business Day) by the Administrative Agent from three negotiable certificate of deposit dealers of recognized standing selected by it.

"Trademarks": as defined in Section 5.06.

"Transactions" means the execution, delivery and performance by the Borrower of this Agreement and by the Subsidiary Guarantors of the Subsidiary Guarantee, the borrowing of Loans, the use of the proceeds thereof.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the LIBO Rate or the Alternate Base Rate.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION I.2. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION I.3. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

The Credits

SECTION II.1. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the sum of the total Revolving Credit Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

SECTION II.2. Loans and Borrowings. (1) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(20 Subject to Section 2.11, each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(30 At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$500,000 and not less than \$1,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments. Borrowings of more than one Type may be outstanding at the same time; provided that there shall not at any time be more than a total of 15 Eurodollar Revolving Borrowings outstanding.

(40 Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date unless such Maturity Date is extended pursuant to Section 2.07, in which case such Interest Period shall not be permitted to end after the Extended Maturity Date.

SECTION II.3. Requests for Revolving Borrowings. To request a Revolving Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(10 the aggregate amount of the requested Borrowing;

(20 the date of such Borrowing, which shall be a Business Day;

(30 whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(40 in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(50 the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.04.

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION II.4. Funding of Borrowings. (1) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in New York City and designated by the Borrower in the applicable Borrowing Request.

(20 Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the Federal Funds Effective Rate or (ii) in the case of the Borrower, the interest rate otherwise applicable to such Borrowing. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION II.5. Interest Elections. (1) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such

portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(20 To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or teletype to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(30 Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(10 the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(20 the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(30 whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(40 if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(40 Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(50 If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION II.6. Termination and Reduction of Commitments. Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(10 The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.08, the sum of the Revolving Credit Exposures would exceed the total Commitments.

(20 The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION II.7. Repayment of Loans; Evidence of Debt. (1) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date. Notwithstanding the foregoing, the Borrower may request, in a notice provided to the Administrative Agent not less than 30 nor more than 60 days prior to the Maturity Date, that the Revolving Loans comprising any Borrowing outstanding on the Maturity Date mature on the date one year after the Maturity Date (such later date, the "Extended Maturity Date"), and the unpaid principal amount of such Revolving Loans shall then be due and payable on such date. The Administrative Agent shall promptly notify each Lender of such request.

(20 Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(30 The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(40 The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(50 Any Lender may request that Loans made by it be evidenced by a promissory note (a "Note"). In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION II.8. Prepayment of Loans. (1) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section.

(20 The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Revolving Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, or (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.06, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.06. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.10.

SECTION II.9. Fees. (10 The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(20 The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(30 All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, in the case of facility fees and utilization fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION II.10. Interest. The Loans comprising each ABR Borrowing shall bear interest at a rate per annum equal to the Alternate Base Rate plus the Applicable Rate.

(10 The Loans comprising each Eurodollar Borrowing shall bear interest at a rate per annum equal to the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(20 Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided above or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided above.

(30 Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; provided that (i) interest accrued pursuant to paragraph (b) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, (iii) in the event of any conversion of any Eurodollar Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion and (iv) all accrued interest shall be payable upon termination of the Commitments unless the Maturity Date has been extended pursuant to Section 2.07, in which case interest shall continue to be payable in arrears on each applicable Interest Payment Date.

(40 All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION II.11. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(10 the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period; or

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

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing; provided that if the circumstances giving rise to such notice affect only one Type of Borrowing, then the other Type of Borrowing shall be permitted.

SECTION II.12. Increased Costs. (1) If any Change in Law shall:

(10 impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the LIBO Rate); or

(20 impose on any Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(20 If any Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(30 A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(40 Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than three months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the three-month period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION II.13. Break Funding Payments. The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense that such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment of or conversion from Eurodollar Loans after the Borrower has given a notice thereof in accordance with the provisions of this Agreement, (c) the making of a prepayment of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto, (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.16. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued or assigned for the period from the date of such prepayment or of such failure to borrow, convert or continue or assign to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, or assign the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Rate included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. A certificate as to any amounts payable pursuant to this Section submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

SECTION II.14. Taxes. (a) Any and all payments by or an account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

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

(c) The Borrower shall indemnify the Administrative Agent and each Lender within 30 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

SECTION II.15. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (10 The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or under Section 2.12, 2.13 or 2.14, or otherwise) prior to 3:00 p.m. New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except that payments pursuant to Sections 2.12, 2.13, 2.14 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(20 If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(30 If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the

assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(40 Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(50 If any Lender shall fail to make any payment required to be made by it pursuant to 2.04(b) or 2.15(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION II.16. Mitigation Obligations; Replacement of Lenders.

(10 If any Lender requests compensation under Section 2.12, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.14, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.12 or 2.14, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(20 If any Lender requests compensation under Section 2.12, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.14, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) if such assignee is not a Lender, the Borrower shall have received the prior written consent of the Administrative Agent which consent shall not be unreasonably withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or

the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.12 or payments required to be made pursuant to Section 2.14, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION II.17. Source of Funds. None of the funds to be lent pursuant to this Agreement are assets of an employee benefit plan or constitute "plan assets" within the meaning of Department of Labor Regulation Section 2510.3-101.

ARTICLE III

Representations and Warranties

The Borrower represents and warrants to the Lenders that:

SECTION III.1. Organization; Powers. Each of the Borrower and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION III.2. Authorization; Enforceability. The Transactions are within the Borrower's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. This Agreement has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable 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, regardless of whether considered in a proceeding in equity or at law.

SECTION III.3. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by the Borrower or any of its Subsidiaries in a manner which could reasonably be expected to have a Material Adverse Effect, and (d) will not result in the creation or imposition of any material Lien on any asset of the Borrower or any of its Subsidiaries.

SECTION III.4. Financial Condition; No Material Adverse Change. (10 The Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders equity and cash flows (i) as of and for the fiscal year ended January 2, 1999, reported on by Arthur Andersen LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended July 3, 1999, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial

position and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above. The Borrower and its Subsidiaries do not have any material Guarantees, contingent liabilities and liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, including any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not reflected in the financial statements referred to in this paragraph or in the notes thereto (and, in the case of such lease or commitment, which is required in accordance with GAAP to be reflected in such statements or notes) or which has not otherwise been disclosed to the Lenders in writing.

(20 Since July 3, 1999, there has been no development, event or circumstance that has had or could reasonably be expected to have a Material Adverse Effect.

SECTION III.5. Properties; Liens. (10 Each of the Borrower and its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes, and none of such property is subject to any Lien, except as permitted by Section 6.03.

(20 Each of the Borrower and its Subsidiaries own, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION III.6. Litigation and Environmental Matters. (1) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement or the Transactions.

(2) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law, (ii) is subject to any Environmental Liability, (iii) has received any written notice of any claim with respect to any Environmental Liability or (iv) has knowledge of any reason to reasonably conclude that Environmental Liability will be incurred.

(3) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

SECTION III.7. Compliance with Laws and Agreements. Each of the Borrower and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION III.8. No Default. Neither the Borrower nor any of its Subsidiaries is in default under or with respect to any Contractual Obligation or any order, award or decree of any Governmental Authority or arbitrator binding upon it or its properties in any respect which could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

SECTION III.9. Investment and Holding Company Status. Neither the Borrower nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION III.10. No Burdensome Restrictions. Neither the Borrower nor any Subsidiary is a party to any indenture, agreement, lease or other instrument which is so unusual or burdensome such that it could be reasonably expected to have a Material Adverse Effect.

SECTION III.11. Taxes. Each of the Borrower and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and have paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION III.12. Federal Regulations. No part of the proceeds of any Loans hereunder will be used, directly or indirectly, for "buying" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board as now and from time to time hereafter in effect or for any purpose which violates, or which would be inconsistent with, the provisions of the Regulations of such Board. If requested by the Agent or any Lender, the Borrower will furnish to the Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in said Regulation U.

SECTION III.13. Subsidiaries. Schedule 3.13 sets forth as of the date hereof the name, and, where applicable, the jurisdiction of organization, number of authorized and issued shares and ownership of each Subsidiary of the Borrower.

SECTION III.14. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan, except to the extent any such excess (individually or in the aggregate) could not reasonably be expected to have a Material Adverse Effect, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of all such underfunded Plans except to the extent any such excess (individually or in the aggregate) could not reasonably be expected to have a Material Adverse Effect.

SECTION III.15. Disclosure. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contain any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION III.16. Year 2000 Matters. Except as otherwise disclosed in the Borrower's most recent Form 10Q filed with Securities and Exchange Commission, any reprogramming required to permit the proper functioning (but only to the extent that such proper functioning would otherwise be impaired by the occurrence of the year 2000) in and following the year 2000 of computer systems and other equipment containing embedded microchips, in either case owned or operated by each Borrower or any of its Subsidiaries or used or relied upon in the conduct of their business (including any such systems and other equipment supplied by others or with which the computer systems of each Borrower or any of its Subsidiaries interface), and the testing of all such systems and other equipment as so reprogrammed, will have been completed by December 1, 1999. The costs to each Borrower and its Subsidiaries that have not been incurred as of the date hereof for such reprogramming and testing and for the other reasonably foreseeable consequences to them of any improper functioning of other computer systems and equipment containing embedded microchips due to the occurrence of the year 2000 could not reasonably be expected to result in a Default or Event of Default or to have a Material Adverse Effect. Except for any reprogramming referred to above, the computer systems of each Borrower and its Subsidiaries are and, with ordinary course upgrading and maintenance, will continue for the term of this Agreement to be, sufficient for the conduct of their business as currently conducted.

ARTICLE IV

Conditions

SECTION IV.1. Effective Date. The obligations of the Lenders to make Loans hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(1) The Administrative Agent (or its counsel) shall have received (i) either (A) a counterpart of this Agreement, executed and delivered by a duly authorized officer of the Borrower or (B) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement and (ii) a counterpart of the Subsidiary Guarantee, executed and delivered by a duly authorized officer of each Subsidiary Guarantor.

(2) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Kramer Levin Naftalis & Frankel LLP, counsel for the Borrower, substantially

in the form of Exhibit B, and covering such other matters relating to the Borrower, this Agreement or the Transactions as the Required Lenders shall reasonably request. The Borrower hereby requests such counsel to deliver such opinion.

(3) The Administrative Agent shall have received all government approvals necessary or, in the discretion of the Administrative Agent, advisable in connection with the financing contemplated hereby and the continuing operations of the Borrower and its Subsidiaries shall have been obtained and be in full force and effect.

(4) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Borrower and its Subsidiaries, the authorization of the Transactions and any other legal matters relating to the Borrower, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(5) The Administrative Agent shall have received (i) audited consolidated financial statements of the Borrower for the two most recent fiscal years ended prior to the Effective Date as to which such financial statements are available and (ii) unaudited interim consolidated financial statements of the Borrower for each quarterly period ended subsequent to the date of the latest financial statements delivered pursuant to clause (i) of this paragraph as to which such financial statements are available.

(6) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the president, a vice president or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(7) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 3:00 p.m., New York City time, on December 15, 1999 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION IV.2. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(1) The representations and warranties of the Borrower set forth in this Agreement (except the representations set forth in Section 3.04(b), Section 3.06 and the first sentence of Section 3.08) shall be true and correct in all material respects on and as of the date of such Borrowing, except for representations and warranties which are made as of a specific date which shall be true and correct as of such date.

(2) At the time of and immediately after giving effect to such Borrowing, no Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE V
Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, the Borrower covenants and agrees with the Lenders that:

SECTION V.1. Financial Statements. The Borrower will furnish to the Administrative Agent and each Lender:

(1) as soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the audited consolidated balance sheet of the Borrower and its consolidated subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by Arthur Andersen LLP or other independent certified public accountants of nationally recognized standing; and

(2) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, the unaudited consolidated balance sheet of the Borrower and its consolidated subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, signed by a Responsible Officer (subject to normal year-end audit adjustments).

All such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

SECTION V.2. Certificates; Other Information. The Borrower will furnish to the Administrative Agent and each Lender (or, in the case of clause (d), to the relevant Lender):

(1) concurrently with the delivery of the financial statements referred to in Section 5.01(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate;

(2) concurrently with the delivery of any financial statements pursuant to Section 5.01, (i) a certificate of a Responsible Officer stating that, to the best of each such Responsible Officer's knowledge, each Loan Party during such period has observed or performed all of its covenants and other agreements, and satisfied every condition,

contained in this Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) in the case of quarterly or annual financial statements, a Certificate containing all information and calculations necessary for determining compliance by the Borrower and its Subsidiaries with the provisions of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of the Borrower, as the case may be;

(3) within five days after the same are sent, copies of all financial statements and reports that the Borrower sends to the holders of any class of its debt securities or public equity securities and, within five days after the same are filed, copies of all financial statements and reports that the Borrower may make to, or file with, the Securities and Exchange Commission, or any Governmental Authority; and

(4) promptly, such additional financial and other information as any Lender may from time to time reasonably request.

SECTION V.3. Notices of Material Events. The Borrower will promptly (an in any event within five days after the Borrower knows of the following events) furnish to the Administrative Agent and each Lender written notice of the following:

(1) the occurrence of any Default;

(2) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Affiliate thereof as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(3) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to have a Material Adverse Effect; and

(4) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Responsible Officer setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION V.4. Existence; Conduct of Business. The Borrower will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of Permitted Lines of Business; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.04.

SECTION V.5. Payment of Obligations. The Borrower will, and will cause each of its Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except

where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION V.6. Maintenance of Properties and Trademarks; Insurance. The Borrower will, and will cause each of its Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, provided that the Borrower shall, in good faith, determine when to repair any property, (b) take all action reasonably necessary or desirable in accordance with good business practices to (i) maintain in full force and effect such domestic and foreign patents, trademarks, service marks, trade names, copyrights and licenses and such material rights with respect to the foregoing, now or hereafter acquired, in each case necessary for the conduct of its business (collectively, the "Trademarks") and (ii) protect all domestic and foreign Trademarks against infringement by third parties and (c) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as a prudent Person engaged in the same or similar business of a similar size and otherwise similarly situated would maintain.

SECTION V.7. Books and Records; Inspection Rights. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries in conformity with GAAP are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each of its Subsidiaries to, permit on an annual basis (or at any time and from time to time after the occurrence and during the continuance of a Default or Event of Default) any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION V.8. Environmental Laws. The Borrower will, and will use reasonable best efforts to cause each of its Subsidiaries to:

(1) Comply in all material respects with, and use reasonable best efforts to ensure compliance in all material respects by their tenants and subtenants, if any, with, all applicable Environmental Laws, except for such matters of noncompliance which could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(2) Except to the extent being contested in good faith, conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws or by Governmental Authorities.

SECTION V.9. Compliance. The Borrower will, and will cause each of its Subsidiaries to, comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION V.10. Additional Subsidiaries. The Borrower will, with respect to any Person that, subsequent to the Effective Date, becomes a Subsidiary organized in a jurisdiction within the United States, promptly cause such new Subsidiary to become a party to

the Subsidiary Guarantee pursuant to documentation which is in form and substance satisfactory to the Administrative Agent; provided that the Administrative Agent and the Borrower may agree in writing that any non-material or less than wholly-owned Subsidiary need not become a Subsidiary Guarantor.

SECTION V.11. Use of Proceeds. The proceeds of the Loans will be used only for working capital and other general corporate purposes of the Borrower, including, without limitation, capital expenditures, stock repurchases, Permitted Acquisitions and support of its commercial paper facility. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations U and X.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full, the Borrower covenants and agrees with the Lenders that:

SECTION VI.1. Financial Covenants.

(a) Leverage Ratio. The Borrower will not permit the Leverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Borrower to exceed 2.50 to 1.00.

(b) Fixed Charge Coverage Ratio. The Borrower will not permit the Fixed Charge Coverage Ratio for any period of four consecutive fiscal quarters of the Borrower to be less than 3.00 to 1.00.

SECTION VI.2. Indebtedness. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

- (1) Indebtedness created hereunder;
- (2) Indebtedness existing on the date hereof and set forth in Schedule 6.02;
- (3) Indebtedness of the Borrower to any Subsidiary and of any Subsidiary to the Borrower or any other Subsidiary;
- (4) Guarantees by the Borrower of Indebtedness of any Subsidiary and by any Subsidiary of Indebtedness of the Borrower or any other Subsidiary;
- (5) Indebtedness of the Borrower or any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Lease Obligations and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, provided that (i) such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate

principal amount of Indebtedness permitted by this clause (e) shall not exceed \$75,000,000 at any time outstanding;

(6) Indebtedness of any Person that becomes a Subsidiary after the date hereof; provided that (i) such Indebtedness exists or is committed at the time such Person becomes a Subsidiary and is not created in contemplation of or in connection with such Person becoming a Subsidiary and (ii) the Borrower and its Subsidiaries are in compliance, on a pro forma basis after giving effect to such acquisition, with the covenants contained in Section 6.01 recomputed as at the last day of the most recently ended fiscal quarter of the Borrower for which financial statements are available, as if such acquisition had occurred on the first day of each relevant period for testing such compliance;

(7) Indebtedness of the Borrower or any Subsidiary incurred (a) as an account party in respect of trade letters of credit issued in the ordinary course of business and (b) in connection with standby letters of credit in an aggregate principal amount not exceeding \$25,000,000 at any time outstanding;

(8) Indebtedness of the Borrower or any Subsidiary in respect of commercial paper; provided that the aggregate amount of such Indebtedness, when added to the aggregate amount of outstanding Loans, shall not exceed the aggregate amount of the Commitments;

(9) Subordinated Indebtedness;

(10) any refinancings, refundings, renewals or extensions of Indebtedness permitted hereunder that do not increase the outstanding principal amount of such Indebtedness;

(11) additional Indebtedness not otherwise permitted hereunder secured by Liens permitted by Section 6.03(i) and not exceeding \$75,000,000 in aggregate principal amount at any time outstanding; and

(12) Indebtedness not otherwise permitted hereunder, not secured by any Lien and incurred after the date hereof; provided that the Borrower and its Subsidiaries are in compliance, on a pro forma basis after giving effect to such Indebtedness, with the covenants contained in Section 6.01 recomputed as at the last day of the most recently ended fiscal quarter of the Borrower for which financial statements are available, as if such Indebtedness had been incurred on the first day of each relevant period for testing such compliance.

SECTION VI.3. Liens. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(1) Permitted Encumbrances;

(2) any Lien on any property or asset of the Borrower or any Subsidiary existing on the date hereof and set forth in Schedule 6.03; provided that (i) such Lien shall not apply to any other property or asset of the Borrower or any Subsidiary and (ii)

such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(3) Liens arising by the terms of letters of credit entered into in the ordinary course of business to secure reimbursement obligations thereunder;

(4) Liens solely constituting the right of any other Person to a share of any licensing royalties (pursuant to a licensing agreement or other related agreement entered into by the Borrower or any of its Subsidiaries with such Person in the ordinary course of the Borrower's or such Subsidiary's business) otherwise payable to the Borrower or any of its Subsidiaries, provided that such right shall have been conveyed to such Person for consideration received by the Borrower or such Subsidiary on an arm's-length basis;

(5) Liens arising by reason of any judgment, decree or order of any court or other Governmental Authority for the payment of money in aggregate amount not to exceed \$25,000,000;

(6) Liens arising in connection with factoring accounts receivable related to any acquired Subsidiary; provided that such factoring shall not continue for a period longer than one year from the date such Subsidiary is acquired;

(7) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Borrower or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(8) Liens on fixed or capital assets acquired, constructed or improved by the Borrower or any Subsidiary; provided that (i) such security interests secure Indebtedness permitted by clause (e) of Section 6.02, (ii) such security interests and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed 100% of the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such security interests shall not apply to any other property or assets of the Borrower or any Subsidiary; and

(9) Liens securing Indebtedness permitted under Section 6.02(k) to the extent such original Indebtedness was originally permitted to be secured pursuant to Section 6.02; provided that the principal amount of such Indebtedness is not increased and that no such Lien is spread to cover additional property.

SECTION VI.4. Fundamental Changes. Except in connection with transactions otherwise permitted pursuant to Section 6.05 or 6.06, the Borrower will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to

merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, or all or substantially all of the stock of any of its Subsidiaries (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto, no Default shall have occurred and be continuing (i) any Person may merge into the Borrower in a transaction in which the Borrower is the surviving corporation, (ii) any Person may merge into any Subsidiary in a transaction in which the surviving entity is a Subsidiary and, if required to be so under Section 5.10, a Subsidiary Guarantor, (iii) any Subsidiary may sell, transfer, lease or otherwise dispose of its assets to the Borrower or to another Subsidiary which is a Subsidiary Guarantor and (iv) any Subsidiary may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders; provided that any such merger involving a Person that is not a wholly owned Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Section 6.05.

SECTION VI.5. Investments, Loans, Advances, Guarantees and Acquisitions; Hedging Agreements. (1) The Borrower will not, and will not permit any of its Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Subsidiary prior to such merger) any capital stock, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except:

- (1) existing investments not otherwise permitted under this Agreement and described in Schedule 6.05(i) hereto;
- (2) investments made in accordance with the investment policy of the Borrower as set forth on Schedule 6.05(ii) hereto; as provided that any material amendment or other material modification to such policy is subject to the approval of the Administrative Agent in its reasonable discretion;
- (3) investments by the Borrower in the capital stock of its Subsidiaries;
- (4) Permitted Acquisitions;
- (5) investments received in connection with the bona fide settlement of any defaulted Indebtedness or other liability owed to the Borrower or any Subsidiary;
- (6) advances or loans made in the ordinary course of business to employees of the Borrower or any of its Subsidiaries in an aggregate outstanding amount not to exceed \$10,000,000;
- (7) loans or advances to third party contractors, suppliers or customers in the ordinary course of business and consistent with past practice;
- (8) loans or advances made by the Borrower to any Subsidiary and made by any Subsidiary to the Borrower or any other Subsidiary;

(9) guarantees by the Borrower or any Subsidiary of obligations of the Borrower or any other Subsidiary which do not constitute Indebtedness;

(10) Guarantees constituting Indebtedness permitted by Section 6.02; and

(11) any other investments in, advances or loans to or Guarantees of, any Person in an aggregate amount not to exceed \$150,000,000;

(2) The Borrower will not, and will not permit any of its Subsidiaries to, enter into any Hedging Agreement, other than Hedging Agreements entered into in the ordinary course of business (including, without limitation, Hedging Agreements in connection with the Borrower's stock repurchase program) to hedge or mitigate risks to which the Borrower or any Subsidiary is exposed in the conduct of its business or the management of its liabilities.

SECTION VI.6. Limitation on Sale of Assets. Except in the ordinary course of business, the Borrower will not, and will not permit any of its Subsidiaries to, sell, convey, lease, transfer or otherwise dispose of (other than as otherwise permitted by Section 6.04 or 6.05) all or any substantial part of its assets; provided that the foregoing shall not prohibit any such sale, conveyance, lease, transfer or disposition (i) which (x) is for a price not materially less than the fair market value of such assets of the Borrower or such Subsidiary, (y) would not materially impair the ability of the Borrower to perform its obligations under this Agreement and (z) together with all other such sales, conveyances, leases, transfers and dispositions, would have no Material Adverse Effect, (ii) of assets that individually or in the aggregate constitute less than 15% of the total assets of the Borrower and its Subsidiaries taken as a whole or (iii) of assets in connection with factoring arrangements with respect to any acquired Subsidiary, provided that such factoring arrangements do not continue longer than a year after such Subsidiary is acquired by the Borrower.

SECTION VI.7. Restricted Payments. The Borrower will not, and will not permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except (a) the Borrower may declare and pay dividends with respect to its capital stock payable solely in additional shares of its common stock, (b) so long as no Default or Event of Default has occurred and is continuing, the Borrower may declare and pay dividends with respect to its capital stock, (c) any Subsidiary may declare and pay dividends to the Borrower or, in the case of any Subsidiary that is wholly owned by another Subsidiary, to such other Subsidiary, (d) the Borrower may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Borrower and its Subsidiaries, (e) so long as no Default or Event of Default has occurred and is continuing, the Borrower may repurchase its capital stock pursuant to its stock repurchase program and (f) so long as no Default or Event of Default has occurred and is continuing, the Borrower may make Restricted Payments in connection with the repurchase of the Capital Stock of Lucky Brands, Inc. and Segrets, Inc.

SECTION VI.8. Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between

or among the Borrower and its Subsidiaries not involving any other Affiliate and (c) any Restricted Payment permitted by Section 6.07.

SECTION VI.9. Changes in Fiscal Periods. The Borrower will not, and will not permit any of its Subsidiaries to, permit the fiscal year of such Borrower to end on a day other than the last Saturday closest to December 31 or change such Borrower's method of determining fiscal quarters.

SECTION VI.10. Lines of Business. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any business, either directly or through any Subsidiary, except for Permitted Lines of Business.

ARTICLE VII

Events of Default

If any of the following events ("Events of Default") shall occur:

- (1) the Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;
- (2) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days;
- (3) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary in or in connection with this Agreement or any amendment or modification hereof, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof, shall prove to have been materially incorrect when made or deemed made;
- (4) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.04 (with respect to the Borrower's existence) or 5.11 or in Article VI;
- (5) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent (given at the request of any Lender) to the Borrower;
- (6) the Borrower or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable (after giving effect to any applicable period of grace);

(7) any default or any event of default with respect to any Material Indebtedness which results in such Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity;

(8) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(9) the Borrower or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(10) the Borrower or any Subsidiary shall become unable, admit in writing or fail generally to pay its debts as they become due;

(11) one or more judgments for the payment of money in an aggregate amount in excess of \$25,000,000 shall be rendered against the Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any Subsidiary to enforce any such judgment;

(12) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect; or

(13) a Change in Control shall occur;

then, and in every such event (other than an event with respect to the Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i)

terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VIII

The Administrative Agent

Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders, and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or

elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facility provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

ARTICLE IX

Miscellaneous

SECTION IX.1. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, as follows:

(1) if to the Borrower, to it at Liz Claiborne, Inc., One Claiborne Avenue, North Bergen, New Jersey 07047, Attention of Robert Vill (Facsimile No. 201-295-7825);

(2) if to the Administrative Agent, to The Chase Manhattan Bank, Loan and Agency Services Group, One Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention of Jesus Sang (Facsimile No. (212) 270-0002), with a copy to The Chase Manhattan Bank, 1411 Broadway, New York 10018, Attention of Liz Claiborne Relationship Manager (Facsimile No. (212) 391-7118); and

(3) if to any other Lender, to it at its address (or number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION IX.2. Waivers; Amendments. (1) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(2) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the

scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.15(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) except in connection with transactions otherwise permitted pursuant to Section 6.04, 6.05 or 6.06, release all or substantially all of the Subsidiary Guarantors from their obligations under the Subsidiary Guarantee, without the written consent of each Lender, or (vi) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

SECTION IX.3. Expenses; Indemnity; Damage Waiver. (1) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and Chase Securities Inc., including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facility provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out-of-pocket expenses incurred by any Administrative Agent or any Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made hereunder, including in connection with any workout, restructuring or negotiations in respect thereof.

(2) The Borrower shall indemnify the Administrative Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(3) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss,

claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such.

(4) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions or any Loan or the use of the proceeds thereof.

(5) All amounts due under this Section shall be payable promptly no later than seven (7) days after written demand therefor.

SECTION IX.4. Successors and Assigns. (1) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(2) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of the Borrower and the Administrative Agent must give its prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$10,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; provided further that any consent of the Borrower otherwise required under this paragraph shall not be required if an Event of Default under clause (a), (b), (h) or (i) of Article VII has occurred and is continuing. Upon acceptance and recording pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled, (with respect to the period prior to such assignment) to the benefits of Sections 2.12, 2.13, 2.14 and 9.03). Any assignment or transfer by a Lender of rights or

obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(3) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary.

(4) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(5) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (iv) all Participants shall represent, for the benefit of Borrower, that none of the participation interests are being acquired with assets of an employee benefit plan or with assets that constitute "plan assets" under Department of Labor Regulation Section 2510.3-101 . Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.12, 2.13 and 2.14 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(6) A Participant shall not be entitled to receive any greater payment under Section 2.12 or 2.14 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.14 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.14(e) as though it were a Lender.

(7) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any such pledge or assignment to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

SECTION IX.5. Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.12, 2.13, 2.14 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION IX.6. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION IX.7. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION IX.8. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured provided that such Lender shall promptly notify the

Borrower of such setoff. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION IX.9. Governing Law; Jurisdiction; Consent to Service of Process. (1) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(2) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(3) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(4) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION IX.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION IX.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION IX.12. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent required by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

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

LIZ CLAIBORNE, INC.

by

/s/ Robert Vill

Name: Robert Vill
Title: VP -- Treasury,
Investor
Relations & Treasurer

THE CHASE MANHATTAN BANK,
individually and as
Administrative Agent

by

/s/ Daniel Greene

Name: Daniel Greene
Title: Vice President

BANKBOSTON, N.A.

by

/s/ Stephen J. Garvin

Name: Stephen J. Garvin
Title: Director

BANK ONE, NA (MAIN OFFICE CHICAGO)

by

/s/ John Runger

Name: John Runger
Title: Senior Vice
President ABN

ABN AMRO BANK NV

by

/s/ Cameron D. Gateman

Name: Cameron D. Gateman
Title: Group Vice President

by

/s/ Donald Sutton

Name: Donald Sutton
Title: Vice President

BANK OF AMERICA, N.A.

by

/s/ Deidre B. Doyle

Name: Deidre B. Doyle
Title: Principal

SUNTRUST BANK

by

/s/ Laura Kahn

Name: Laura Kahn
Title: Director

THE BANK OF NOVA SCOTIA

by

/s/ Brian S. Allen

Name: Brian S. Allen
Title: Managing Director

THE HUNTINGTON NATIONAL BANK

by

/s/ Carol Degnen

Name: Carol Degnen
Title: Senior Vice President

UNION BANK OF CALIFORNIA, N.A.

by

/s/ J. William Bloore

Name: J. William Bloore
Title: Vice President

BANCA DI ROMA

by

/s/ Steven Paley

Name: Steven Paley
Title: Vice President

by

/s/ Alessandro Paoli

Name: Alessandro Paoli

Title: Assistant Treasurer

BANK LEUMI USA

by

/s/ Richard Silverstein

Name: Richard Silverstein
Title: Senior Vice President

by

/s/ Phyllis Rosenfeld

Name: Phyllis Rosenfeld
Title: Vice President

COMERICA BANK

by

/s/ James R. Grossett

Name: James R. Grossett
Title: First Vice President

DAI ICHI KANGYO BANK LTD.

by

/s/ Nicholas A. Fiore

Name: Nicholas A. Fiore
Title: Assistant Vice
President

FIFTH THIRD BANK

by

/s/ Anthony M. Buehler

Name: Anthony M. Buehler
Title: Assistant Vice
President

HSBC BANK USA

by

/s/ Adriana D. Collins

Name: Adriana D. Collins
Title: Vice President

ISRAEL DISCOUNT BANK OF NEW YORK

by

/s/ Scott Fishbein
-----Name: Scott Fishbein
Title: Vice President

by

/s/ Ron Bongiovanni
-----Name: Ron Bongiovanni
Title: First Vice PresidentMERCANTILE BANK NATIONAL
ASSOCIATION

by

/s/ Stephen M. Reese
-----Name: Stephen M. Reese
Title: Vice President

THE BANK OF NEW YORK

by

/s/ Howard F. Bascom, Jr.
-----Name: Howard F. Bascom, Jr.
Title: Vice President

SUBSIDIARIES OF
LIZ CLAIBORNE, INC.

Claiborne Limited	Hong Kong
Liz Claiborne Cosmetics, Inc.	Delaware
Liz Claiborne Accessories, Inc.	Delaware
Liz Claiborne Accessories-Sales, Inc.	Delaware
Liz Claiborne Export, Inc.	Delaware
Liz Claiborne Foreign Holdings, Inc.	Delaware
Liz Claiborne International Limited	Hong Kong
Liz Claiborne (Israel) Ltd.	Israel
Liz Claiborne (Italy) Ltd.	Delaware
L. C. Licensing, Inc.	Delaware
Liz Claiborne Sales, Inc.	Delaware
Liz Claiborne-Texas, Inc.	Delaware
LCI Investments, Inc.	Delaware
LCI Holdings, Inc.	Delaware
Liz Claiborne (Canada) Limited	Canada
Liz Claiborne, S.A.	Costa Rica
L.C. Caribbean Holdings, Inc.	Delaware
Liz Claiborne Shoes, Inc.	Delaware
L. C. Service Company, Inc.	Delaware
Liz Claiborne Europe	U.K.
Liz Claiborne do Brasil Industria E Comercio Ltda.	Brazil
LC/QL Investments, Inc.	Delaware
L.C. Dyeing, Inc.	Delaware
L.C. Augusta, Inc.	Delaware
Textiles Liz Claiborne Guatemala, S.A.	Guatemala
Liz Claiborne (Malaysia) SDN.BHD	Malaysia
Liz Claiborne B.V.	Netherlands
L.C. Special Markets, Inc.	Delaware
Liz Claiborne Foreign Sales Corporation	US Virgin Islands
Liz Claiborne Operations (Israel) 1993 Limited	Israel
Liz Claiborne GmbH	Germany
Liz Claiborne De El Salvador, S.A., de C. V.	El Salvador
L.C.I. Fragrances, Inc.	Delaware
DB Newco, Inc.	Delaware
LC Libra, LLC.	Delaware
Liz Claiborne Japan, Inc.	Delaware
Segrets, Inc.	Delaware
Lucky Brand Dungarees, Inc.	Delaware
Lucky Brand Dungarees Stores, Inc.	Delaware
Podell Industries, Incorporated	California
L.C.K.C., LLC	Delaware

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, dated February 21, 2000, included in this Form 10-K, into the Company's previously filed Registration Statement File Nos. 2-77590, 2-95258, 2-33661, 33-51257, 033-63859, 333-09851 and 333-48423.

/s/ Arthur Andersen LLP
New York, New York
March 30, 2000

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<F1>THE EARNINGS PER SHARE INFORMATION HAS BEEN PREPARED IN ACCORDANCE WITH STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 128 "EARNINGS PER SHARE", AND THE BASIC AND DILUTED EARNINGS PER SHARE HAVE BEEN ENTERED IN PLACE OF PRIMARY AND FULLY DILUTED, RESPECTIVELY.
</FN>

To Be Incorporated By Reference Into
Registration Statements on Forms S-8
(File Nos. 2-77590, 2-95258, 2-33661,
33-51257, 033-63859, 333-09851 and 333-48423)

UNDERTAKINGS

- (a) The undersigned registrant hereby undertakes:
- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
 - (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.
 - (2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
 - (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
- (b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (h) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.