UNITED STATES 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 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 0-18183

G-III APPAREL GROUP, LTD.
(Exact name of registrant as specified in its charter)

Delaware	**41-1590959**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
512 Seventh Avenue, New York, New York	**10018**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code:
(212) 403-0500

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

Title of Class	Name of Exchange on which registered
Common Stock, $0.01 par value	Nasdaq Global Select Market

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

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

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

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark if the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐

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

As of July 31, 2016, the aggregate market value of the registrant's voting stock held by non-affiliates of the registrant (based on the last sale price for such shares as quoted by the Nasdaq Global Select Market) was approximately $1,638,155,776.

The number of outstanding shares of the registrant's Common Stock as of March 31, 2017 was 48,640,443.

Documents incorporated by reference: Certain portions of the registrant's definitive Proxy Statement relating to the registrant's Annual Meeting of Stockholders to be held on or about June 15, 2017, to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, are incorporated by reference into Part III of this Report.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in this Form 10-K or incorporated by reference into this Form 10-K, in future filings by us with the Securities and Exchange Commission (the "SEC"), in our press releases and in oral statements made from time to time by us or on our behalf constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations and are indicated by words or phrases such as "anticipate," "estimate," "expect," "will," "project," "we believe," "is or remains optimistic," "currently envisions," "forecasts," "goal" and similar words or phrases and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from the future results, performance or achievements expressed in or implied by such forward-looking statements. Forward-looking statements also include representations of our expectations or beliefs concerning future events that involve risks and uncertainties, including, but not limited to, those described in Part I, "Item 1A. Risk Factors" and the following:

- our dependence on licensed products;
- our dependence on the strategies and reputation of our licensors;
- costs and uncertainties with respect to expansion of our product offerings;
- the performance of our products at retail and customer acceptance of new products;
- retail customer concentration;
- risks of doing business abroad;
- price, availability and quality of materials used in our products;
- the need to protect our trademarks and other intellectual property;
- risks relating to our retail business;
- dependence on existing management;
- our ability to make strategic acquisitions and possible disruptions from acquisitions;
- need for additional financing;
- seasonal nature of our business;
- our reliance on foreign manufacturers;
- the need to successfully upgrade, maintain and secure our information systems;
- the impact of the current economic and credit environment on us, our customers, suppliers and vendors;
- the effects of competition in the markets in which we operate;
- consolidation of our retail customers;
- additional legislation and/or regulation in the United States or around the world;
- our ability to import products in a timely and cost effective manner;
- our ability to continue to maintain our reputation;
- fluctuations in the price of our common stock;
- potential effect on the price of our common stock if actual results are worse than financial forecasts;
- the effect of regulations applicable to us as a U.S. public company; and
- matters relating to the acquisition of Donna Karan International Inc., including:
  - our ability to combine our business with the Donna Karan business successfully or in a timely and cost-efficient manner,

— the increase in our indebtedness as a result of the acquisition,

— the significant costs we incurred in connection with the acquisition,

— the significant increase in the amount of our goodwill and other intangibles, and

— the degree of business disruption relating to the acquisition.

These forward-looking statements are based largely on our expectations and judgments and are subject to a number of risks and uncertainties, many of which are unforeseeable and beyond our control. A detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations is described in Part I of this Form 10-K under the heading "Risk Factors." We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

WEBSITE ACCESS TO REPORTS

Our website is www.g-iii.com. We make available, free of charge, on our website (under the heading "Investor Relations") our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. No information contained on our website is intended to be included as part of, or incorporated by reference into, this Annual Report on Form 10-K. Information relating to our corporate governance, including copies of our Code of Ethics, Audit, Compensation and Nominating and Corporate Governance Committee Charters, and other policies and guidelines, are available at our website under "Investor Relations." Paper copies of these filings and corporate governance documents are available to stockholders free of charge by written request to Investor Relations, G-III Apparel Group, Ltd., 512 Seventh Avenue, New York, New York 10018. Documents filed with the SEC are also available on the SEC's website at www.sec.gov.

ITEM 1. *BUSINESS.*

Unless the context otherwise requires, "G-III", "us", "we" and "our" refer to G-III Apparel Group, Ltd. and its subsidiaries. References to fiscal years refer to the year ended or ending on January 31 of that year. For example, our fiscal year ended January 31, 2017 is referred to as "fiscal 2017."

All share and per share data in this Annual Report on Form 10-K have been retroactively adjusted to reflect our two-for-one stock split effected on May 1, 2015.

Overview

G-III designs, manufactures and markets an extensive range of apparel, including outerwear, dresses, sportswear, swimwear, women's suits and women's performance wear, as well as women's handbags, footwear, small leather goods, cold weather accessories and luggage. We sell our products under our own proprietary brands, which include DKNY, Donna Karan, Vilebrequin, G.H. Bass, Weejuns, Andrew Marc, Marc New York, Eliza J and Jessica Howard, as well as under licensed brands and private retail labels.

We sell products under an extensive portfolio of well-known licensed brands, including Calvin Klein, Tommy Hilfiger, Karl Lagerfeld, Levi's, Docker's, Kenneth Cole, Cole Haan and Guess?. In our team sports business, we have licenses with the National Football League, National Basketball Association, Major League Baseball, National Hockey League, Hands High, Touch by Alyssa Milano and over 140 U.S. colleges and universities.

Our products are sold through a cross section of leading retailers such as Macy's, TJX Companies, Hudson's Bay Company, including their Lord & Taylor and Saks Fifth Avenue divisions, Ross Stores, Dillard's, Burlington Coat Factory, the Bon-Ton Stores, Nordstrom and JC Penney.

We also distribute apparel and other products through our own retail stores. Substantially all of our DKNY, Wilsons Leather and G.H. Bass stores are operated as outlet stores. As of January 31, 2017, we operated 190 Wilsons Leather stores, 163 G.H. Bass stores, 50 DKNY stores, 5 Calvin Klein Performance stores and 3 Karl Lagerfeld Paris stores, of which 403 were located in the continental U.S. and Puerto Rico and 8 are located internationally. Wilsons Leather, G.H. Bass and DKNY each operate their own on-line store. In addition, as of January 31, 2017, Vilebrequin products were distributed through 88 company-operated stores, as well as through 58 franchised locations and an e-commerce store in both Europe and the United States.

Recent Acquisitions

We have acquired businesses that have broadened our product offerings, expanded our ability to serve different tiers of distribution and added a retail component to our business. Our acquisitions are part of our strategy to expand our product offerings and increase the portfolio of proprietary and licensed brands that we offer through different tiers of retail distribution.

In December 2016, we acquired Donna Karan International, Inc. from LVMH Moet Hennessy Louis Vuitton Inc. We believe that Donna Karan owns some of the world's most iconic and recognizable power brands, including DKNY, Donna Karan and DKNY Jeans. The acquisition of Donna Karan fits squarely into our strategy to diversify and expand our business. We intend to focus on the expansion of the DKNY brand, while also re-establishing DKNY Jeans, Donna Karan and other associated brands. We believe that we can also capitalize on significant, untapped global licensing potential in a number of men's categories, as well as in home and jewelry. We believe that our strong track record of driving organic growth, identifying and integrating acquisitions and developing talent throughout the organization makes the potential of the DKNY and Donna Karan brands especially appealing.

In March 2017, we entered into an agreement with Macy's under which Macy's will serve, beginning February 2018, as the exclusive U.S. department store for sales of DKNY women's apparel and accessories. Under the agreement, Macy's will have the exclusive rights to sell DKNY women's apparel, including women's sportswear, dresses, suit separates, sport, denim, swim and outerwear, as well as, handbags and women's shoes in all Macy's locations and Macys.com. The agreement also plans for increased and enhanced DKNY shop-in-shops in many Macy's stores. G-III and Macy's are committed to making DKNY the premier fashion and lifestyle brand. We also intend to re-launch Donna Karan as an

aspirational luxury brand that will be priced above DKNY and targeted to fine department stores nationwide. We will continue to operate the freestanding global DKNY stores and DKNY.com. We also will maintain DKNY's agreements with international license partners and distributors outside of the United States. Products outside the exclusive categories and products distributed by DKNY's various licensees under other categories in the DKNY family will continue to be sold to department stores, including Macy's.

In February 2016, we acquired a 19% minority interest in the parent company of the group that holds the worldwide rights to the Karl Lagerfeld brand. This investment is intended to expand the partnership between us and the Karl Lagerfeld brand and extend their business development opportunities on a global scale. In June 2015, we acquired a 49% interest in a joint venture that holds brand rights to the Karl Lagerfeld trademarks for consumer products (with certain exceptions) and apparel in the United States, Canada and Mexico. We are also the first licensee of the joint venture, having been granted a license for women's apparel, women's handbags, women's shoes and men's outerwear. We began shipping Karl Lagerfeld sportswear, dresses, women's outerwear and handbags in the third quarter of fiscal 2016, Karl Lagerfeld women's footwear in the first quarter of fiscal 2017 and Karl Lagerfeld women's suits in the third quarter of fiscal 2017.

Licensed Products

The sale of licensed products is a key element of our strategy and we have continually expanded our offerings of licensed products over the past 20 years.

In July 2016, we signed a three-year extension through March 2020 of our license agreement with the National Football League. This agreement includes men's and women's outerwear, Starter men's and women's outerwear, men's and women's lifestyle apparel, Hands High men's and women's lifestyle apparel, and Touch by Alyssa Milano women's lifestyle apparel.

In February 2016, we expanded our relationship with Tommy Hilfiger through a new license agreement for Tommy Hilfiger womenswear in the United States and Canada. This license for women's sportswear, suit separates, performance and denim is in addition to existing Tommy Hilfiger licenses for dresses, men's and women's outerwear and luggage. The new license agreement has an initial term of five years and a renewal term of four years. Macy's will continue to be the principal retailer of Tommy Hilfiger in the United States and women's sportswear will continue to be a Macy's exclusive offering. We believe Tommy Hilfiger is a classic American lifestyle brand. We intend to leverage our market expertise to help build sales of Tommy Hilfiger women's apparel. We sell Tommy Hilfiger dresses, women's suit separates, women's performance wear, jeans and luggage. Women's performance wear and women's suits began shipping during the third quarter of fiscal 2017.

In October 2015, we announced the launch of Hands High, a new licensed sports apparel line inspired by Tonight Show host, Jimmy Fallon. Hands High features professional team logos from the NFL, NBA, MLB and NHL. Hands High product was launched in October 2015 at retailers throughout the country, as well as at official team and stadium shops and official league websites. We started to ship Hands High products to over 40 universities in July 2016.

We believe that consumers prefer to buy brands they know, and we have continually sought licenses that would increase the portfolio of name brands we can offer through different tiers of retail distribution, for a wide array of products at a variety of price points. We believe that brand owners will look to consolidate the number of licensees they engage to develop product and they will seek licensees with a successful track record of expanding brands into new categories. It is our objective to continue to expand our product offerings and we are continually discussing new licensing opportunities with brand owners.

Licensing

As we have increased our portfolio of proprietary brands, we have licensed these brands in categories outside our core competencies. We began licensing Vilebrequin and G.H. Bass in selected categories after acquiring these brands in 2012 and 2013. Our licensing program will significantly increase as a result of owning the Donna Karan and DKNY brands.

The DKNY brand is currently licensed for a broad array of products including fragrance, watches, hosiery, intimates, eyewear, children's clothing and home furnishings. We intend to focus on the expansion of licensing opportunities for the DKNY brand, while also re-establishing DKNY Jeans, Donna Karan and other associated brands. We believe that we can capitalize on significant, untapped global licensing potential in a number of men's categories, as well as in home and jewelry.

G.H. Bass is licensed for the wholesale distribution of men's and women's footwear, men's sportswear, men's and boy's tailored clothing, men's socks, men's accessories and women's hosiery.

Vilebrequin has recently entered into licenses for watches and sunglasses. Both of these new lines are expected to commence distribution in 2017.

Segments

Starting with the first quarter of fiscal 2016, we began reporting based on two segments: wholesale operations and retail operations. The wholesale operations segment consists of our former licensed products and non-licensed products segments and includes sales of products under brands licensed by us from third parties, as well as sales of products under our own brands and private label brands. Wholesale sales and revenues from license agreements related to the Donna Karan International ("DKI") business are included in the wholesale operations segment. The retail operations segment consists of our Wilsons Leather, G.H. Bass and DKNY stores, as well as a limited number of Calvin Klein Performance and Karl Lagerfeld Paris stores. See Note K to our Consolidated Financial Statements for financial information with respect to these segments.

G-III Apparel Group, Ltd. is a Delaware corporation that was formed in 1989. We and our predecessors have conducted our business since 1974.

Competitive Strengths

We believe that our broad portfolio of high-profile brands combined with our extensive distribution relationships position us for growth. We intend to capitalize on the following competitive strengths in order to expand our position as an all-season diversified apparel company:

Broad portfolio of recognized brands. We have built a broad and deep portfolio of over 40 licensed and proprietary brands. We believe we are a licensee of choice for well-known brands, as demonstrated by our partnerships with such brands as Calvin Klein, Tommy Hilfiger, Karl Lagerfeld, Levi's, Dockers, Kenneth Cole, Cole Haan and Guess?, that have built a loyal following of both fashion-conscious consumers and retailers who desire high quality, well designed products. We have selectively added the licensing rights to premier brands in women's, men's and team sports categories catering to a wide range of customers. In addition to our licensed brands, we own a number of successful proprietary brands, including DKNY, Donna Karan, Vilebrequin, G.H. Bass, Weejuns, Andrew Marc, Marc New York, Eliza J and Jessica Howard. In an environment of rapidly changing consumer fashion trends, we benefit from a balanced mix of well-established and newer brands. Our experience in developing and acquiring licensed brands and proprietary labels, as well as our reputation for producing high quality, well-designed apparel, has led major department stores and retailers to select us as a designer and manufacturer for their private label programs.

We currently market apparel and other products under, among others, the following licensed and proprietary brand names:

Women's	Men's	Team Sports
Licensed Brands		
Calvin Klein	Calvin Klein	National Football League
Tommy Hilfiger	Tommy Hilfiger	Major League Baseball
Karl Lagerfeld Paris	Karl Lagerfeld Paris	National Basketball Association
Guess?	Guess?	National Hockey League
Kenneth Cole NY	Kenneth Cole NY	Touch by Alyssa Milano
Cole Haan	Cole Haan	Hands High
Levi's	Levi's	Collegiate Licensing Company
Vince Camuto	Vince Camuto	Major League Soccer
Ivanka Trump	Dockers	Starter
Ellen Tracy		Warrior by Danica Patrick
Kensie		
Jessica Simpson		
Proprietary Brands		
DKNY	DKNY	G-III Sports by Carl Banks
Donna Karan	Donna Karan	G-III for Her
Andrew Marc	Andrew Marc	
Marc New York	Marc New York	
Vilebrequin	Vilebrequin	
G.H. Bass	G.H. Bass	
Black Rivet	Black Rivet	
Wilsons	Wilsons	
Eliza J		
Jessica Howard		

Diversified distribution base. We market our products at multiple price points and across multiple channels of distribution, allowing us to provide products to a broad range of consumers. Our products are sold to approximately 2,400 customers, including a cross section of retailers such as Macy's, TJX Companies, Hudson's Bay Company, including their Lord & Taylor and Saks Fifth Avenue divisions, Ross Stores, Dillard's, Burlington Coat Factory, the Bon-Ton Stores, Nordstrom and JC Penney, as well as membership clubs such as Costco and Sam's Club and e-commerce retailers such as Amazon. We believe our strong relationships with retailers have been established through many years of personal customer service and adherence to meeting or exceeding retailer expectations. Our Wilsons Leather retail stores provide an additional distribution network for our products. We distribute our G.H. Bass products through our G.H. Bass outlet stores and through licensees, and distribute Vilebrequin products through a network of company owned and franchised specialty retail stores and shops, as well as through select wholesale distribution channels. Our DKNY and Donna Karan products are sold through wholesale distribution, licensees and our own DKNY outlet stores.

Superior design, sourcing and quality control. Our in-house design and merchandising teams design substantially all of our licensed, proprietary and private label products. Our designers work closely with our licensors and private label customers to create designs and styles that represent the look they want. We have a network of worldwide suppliers that allows us to negotiate competitive terms without relying on any

single vendor. In addition, we employ a quality control team and a sourcing group in China to ensure the quality of our products. We believe we have developed a significant customer following and positive reputation in the industry as a result of our design capabilities, sourcing expertise, on-time delivery and high standards of quality control.

Leadership position in the wholesale business. As one of the largest wholesalers of outerwear, dresses and sportswear, we are widely recognized within the apparel industry for our high-quality and well-designed products. Our expertise and reputation in designing, manufacturing and marketing apparel have enabled us to build strong customer relationships and to become one of the leading dress suppliers in the United States over the past several years. We have also expanded into women's performance wear and other apparel categories, as well as to non-apparel categories such as handbags, footwear, small leather goods, cold weather accessories and luggage.

Experienced management team. Our executive management team has worked together for a significant period of time and has extensive experience in the apparel industry. Morris Goldfarb, our Chairman and Chief Executive Officer, has been with us for over 40 years. Sammy Aaron, our Vice Chairman and President, joined us in 2005 when we acquired Marvin Richards, Wayne S. Miller, our Chief Operating Officer, has been with us for almost 20 years, Neal S. Nackman, our Chief Financial Officer, has been with us for almost 15 years and Jeffrey Goldfarb, our Executive Vice President, has been with us for 15 years. Our leadership team has demonstrated experience in successfully acquiring, managing, integrating and positioning new businesses having completed nine acquisitions over the last twelve years, while also adding numerous new licenses and licensed products.

Growth Strategy

Our goal is to continue to expand our position as an all-season diversified apparel and accessories company with a broad portfolio of brands that we offer in multiple channels of retail distribution through the following growth strategies:

Execute diversification initiatives. We are continually seeking opportunities to produce products for all seasons. Over the past five years we have diversified through the acquisition and licensing of well-known brands. We have initiated the following diversification efforts:

- In December 2016, we acquired Donna Karan, which we believe owns some of the world's most iconic and recognizable power brands, including DKNY, Donna Karan and DKNY Jeans. The acquisition of Donna Karan fits squarely into our strategy to diversify and expand our business. We intend to focus on the expansion of the DKNY brand, while also re-establishing DKNY Jeans, Donna Karan and other associated brands. We believe that our strong track record of driving organic growth, identifying and integrating acquisitions and developing talent throughout the organization makes the potential of the DKNY and Donna Karan brands especially appealing.
- In March 2017, we entered into an agreement with Macy's under which Macy's will serve, beginning February 2018, as the exclusive U.S. department store for sales of DKNY women's apparel and accessories. Under the agreement, Macy's will have the exclusive rights to sell DKNY women's apparel, including. women's sportswear, dresses, suit separates, sport, denim, swim and outerwear, as well as, handbags and women's shoes in all Macy's locations and Macys.com. The agreement also plans for increased and enhanced DKNY shop-in-shops in many Macy's stores. G-III and Macy's are committed to making DKNY the premier fashion and lifestyle brand. Products outside of women's apparel and accessories and all products distributed by DKNY's various licensees will continue to be sold to a broad range of department stores, including Macy's. We also intend to re-launch Donna Karan as an aspirational luxury brand that will be priced above DKNY and targeted to fine department stores.
- In February 2016, we expanded our relationship with Tommy Hilfiger through a new license for womenswear which includes sportswear, suit separates, performance and denim. These categories are in addition to our other licenses for Tommy Hilfiger dresses, men's and women's outerwear and luggage. We believe that Tommy Hilfiger is a classic American lifestyle brand. We intend to leverage our market expertise to help build sales of Tommy Hilfiger women's appeal.

- In February 2016, we expanded our partnership with respect to the Karl Lagerfeld brand through the acquisition of an approximately 19% minority interest in the parent company of the group that holds the worldwide rights to the Karl Lagerfeld brand. In June 2015, we entered into a joint venture pursuant to which we acquired a 49% ownership interest in an entity that holds brand rights to the Karl Lagerfeld trademarks for consumer products (with certain exceptions) and apparel in the United States, Canada and Mexico. We are also the first licensee of the joint venture, having been granted a license for women's apparel, women's handbags and men's outerwear.

- We have continually expanded our relationship with Calvin Klein, our most important license relationship. Initially, we had licenses for Calvin Klein men's and women's outerwear. Between 2005 and 2013, we added licenses for women's suits, dresses, women's performance wear, women's better sportswear, men's and women's swimwear, women's handbags and small leather goods and luggage, as well as to operate Calvin Klein Performance retail stores in the United States. In March 2014, the term of each of our Calvin Klein license agreements was extended to December 31, 2023.

Continue to grow our apparel business. We have been a leader in the apparel business for many years and believe we can continue to grow our apparel business. Specifically, our Calvin Klein businesses benefit from Calvin Klein's strong brand awareness and loyalty among consumers. Most recently, we acquired the Donna Karan business, including the DKNY brand, and added licenses for womenswear, outerwear and dresses under the Tommy Hilfiger brand. Our acquisition of Andrew Marc added two well-known proprietary brands in the men's and women's apparel market, as well as licenses for men's and women's outerwear under the Levi's and Dockers brands.

Grow our licensing business. As we have increased our portfolio of proprietary brands, we have licensed these brands in categories outside our core competencies. We began licensing Vilebrequin and G.H. Bass in selected categories after acquiring these brands in 2012 and 2013. We expect to significantly increase our licensing program as a result of our ownership of the Donna Karan and DKNY brands. Donna Karan and DKNY are some of the world's most iconic and recognizable power brands. We believe that we can capitalize on significant, untapped global licensing potential in a number of men's categories, as well as in home and jewelry. G-III intends to grow royalty streams through expansion of additional categories with existing Donna Karan and DKNY licensees, as well as new categories with new licensees. We also plan to continue seeking licensing opportunities for other brands we own such as G.H. Bass, Andrew Marc and Vilebrequin.

Add new product categories. We have been able to leverage our expertise and experience in the apparel business, our relationships with our licensors and our sourcing capabilities to expand our licenses to new product categories such as dresses, sportswear, women's suits, women's performance wear, footwear and men's and women's swimwear. We expanded our licenses with Calvin Klein beyond apparel categories to include women's handbags, small leather goods, cold weather accessories and luggage. In addition, we added luggage to the products we sell under the Tommy Hilfiger brand and added swimwear, resort wear and related accessories as a result of our acquisition of Vilebrequin. Our acquisition of G.H. Bass added footwear to our product mix. We will attempt to expand our distribution of products in these and other categories under licensed brands, our own brands, including the recently acquired Donna Karan brands, and private label brands.

Products — Development and Design

G-III designs, manufactures and markets women's and men's apparel at a wide range of retail price points. Our product offerings primarily include outerwear, dresses, sportswear, swimwear, women's suits and women's performance wear. We also market footwear and accessories including women's handbags, small leather goods, cold weather accessories and luggage.

G-III's licensed apparel consists of both women's and men's products in a broad range of categories. See "Business — Licensing." Our strategy is to seek licenses that will enable us to offer a range of products targeting different price points and different distribution channels. We also offer a wide range of products under our own proprietary brands.

We work with a diversified group of retail chains, such as Costco, Express, Kohl's, JC Penney, Ross Stores, Lord & Taylor and Stein Mart in developing product lines that are sold under their private label programs. Our design teams collaborate with our customers to produce custom made products for department and specialty chain stores. Store buyers may provide samples to us or may select styles already available in our showrooms. We believe we have established a reputation among these buyers for our ability to produce high quality product on a reliable, expeditious and cost-effective basis.

Our in-house designers are responsible for the design and look of our licensed, proprietary and private label products. We work closely with our licensors to create designs and styles for each of our licensed brands. Licensors generally must approve products to be sold under their brand names prior to production. We maintain a global pulse on styles, using trend services and color services to enable us to quickly respond to style changes in the apparel industry. Our experienced design personnel and our focused use of outside services enable us to incorporate current trends and consumer preferences in designing new products and styles.

Our design personnel meet regularly with our sales and merchandising departments, as well as with the design and merchandising staffs of our licensors, to review market trends, sales results and the popularity of our latest products. In addition, our representatives regularly attend trade and fashion shows and shop at fashion forward stores in the United States, Europe and the Far East for inspiration. Our designers present sample items along with their evaluation of the styles expected to be in demand in the United States. We also seek input from selected customers with respect to product design. We believe that our sensitivity to the needs of retailers, coupled with the flexibility of our production capabilities and our continual monitoring of the retail market, enables us to modify designs and order specifications in a timely fashion.

Wholesale Operations

Our wholesale operations segment includes sales of products licensed by us from third parties, as well as sales of products under our own proprietary brands and private label brands. Revenues from our wholesale operations accounted for 80.9% of our net sales in fiscal 2017 compared to 79.1% of our net sales in fiscal 2016 and 77.8% of our net sales in fiscal 2015. Revenues from the wholesale operations of Donna Karan are included for the last two months of fiscal 2017.

Licensed Products

The sale of licensed products is a key element of our strategy and we have continually expanded our offerings of licensed products for more than 20 years. In July 2016, we signed a three-year extension through March 2020 of our license agreement with the National Football League. We have expanded our relationship with Tommy Hilfiger to include a license for womenswear in February 2016. Our Tommy Hilfiger dress license entered into in April 2015 was incorporated into the women's wear license effective January 1, 2017. In June 2015, we entered into a license for Karl Lagerfeld women's apparel, women's handbags and men's outerwear. In October 2015, we announced the launch of Hands High, a new licensed sports apparel line inspired by Tonight Show host, Jimmy Fallon.

The following table sets forth, for each of our principal licenses, the date on which the current term ends and the date on which any potential renewal term ends.

License	Date Current Term Ends	Date Potential Renewal Term Ends
Fashion Licenses		
Calvin Klein (Men's outerwear)	December 31, 2023	None
Calvin Klein (Women's outerwear)	December 31, 2023	None
Calvin Klein (Women's dresses)	December 31, 2023	None
Calvin Klein (Women's suits)	December 31, 2023	None
Calvin Klein (Women's performance wear)	December 31, 2023	None
Calvin Klein (Women's better sportswear)	December 31, 2023	None
Calvin Klein (Better luggage)	December 31, 2023	None
Calvin Klein (Women's handbags and small leather goods)	December 31, 2023	None
Calvin Klein (Women's performance retail)	December 31, 2023	None
Calvin Klein (Men's and women's swimwear)	December 31, 2023	None
Cole Haan (Men's and women's outerwear)	December 31, 2020	December 31, 2025
Dockers (Men's outerwear)	November 30, 2017	None
Ellen Tracy (Women's outerwear, dresses and suits and men's outerwear)	December 31, 2018	December 31, 2021
Guess/Guess? (Men's and women's outerwear)	December 31, 2018	December 31, 2023
Guess/Guess? (Women's dresses)	December 31, 2018	December 31, 2023
Ivanka Trump (Women's sportswear, suits, dresses, activewear, jeanswear, sweaters and blouses)	December 31, 2018	December 31, 2023
Karl Lagerfeld (Women's apparel, women's handbags, men's and women's outerwear, women's shoes)	December 31, 2020	December 31, 2030
Kenneth Cole NY/Reaction Kenneth Cole (Men's and women's outerwear)	December 31, 2019	December 31, 2022
Kensie (Women's sportswear, dresses, suits, activewear and sweaters)	January 31, 2021	None
Levi's (Men's and women's outerwear)	November 30, 2017	None
Tommy Hilfiger (Men's and women's outerwear)	December 31, 2021	December 31, 2025
Tommy Hilfiger (Luggage)	December 31, 2017	None
Tommy Hilfiger (Women's sportswear, dresses, suit separates, performance wear and denim)	December 31, 2021	December 31, 2025
Vince Camuto (Women's dresses)	December 31, 2017	December 31, 2020
Vince Camuto (Men's outerwear)	December 31, 2017	December 31, 2020
Team Sports Licenses		
Collegiate Licensing Company)*	March 31, 2017	None
Major League Baseball (Men's)*	October 31, 2017	None
Major League Baseball (Ladies)*	October 31, 2017	None
National Basketball Association	September 30, 2017	None
National Football League	March 31, 2020	None
National Hockey League*	March 31, 2017	None
Hands High	December 31, 2018	December 31, 2026
Starter	December 31, 2019	None

* Renewal discussions in process

Under our license agreements, we are generally required to achieve minimum net sales of licensed products, pay guaranteed minimum royalties, make specified royalty and advertising payments (usually based on a percentage of net sales of licensed products), and receive prior approval of the licensor as to all design and other elements of a product prior to production. License agreements also may restrict our ability to enter into other license agreements for competing products or acquire businesses that produce competing products without the consent of the licensor. If we do not satisfy any of these requirements or otherwise fail to meet our obligations under a license agreement, a licensor usually will have the right to terminate our license. License agreements also typically restrict our ability to assign or transfer the agreement without the prior written consent of a licensor and generally provide that a change in control, including as a result of the acquisition of us by another company, is considered to be a transfer of the license agreement that would give a licensor the right to terminate the license unless it has approved the transaction.

Our ability to renew the current term of a license agreement may be subject to the discretion of the licensor or to attaining minimum sales and/or royalty levels and to our compliance with the provisions of the agreement. We believe that brand owners are looking to consolidate the number of licensees they engage to develop product and to choose licensees who have a successful track record of developing brands. We continue to seek other opportunities to enter into license agreements in order to expand our product offerings under well-known labels and broaden the markets that we serve.

Proprietary Brands

Dating back to the beginning of our company, G-III has sold apparel under our own proprietary brands. Over the years, we developed or acquired brands such as G-III Sports by Carl Banks, Eliza J, Jessica Howard and Andrew Marc. We acquired G.H. Bass, a well-known heritage brand, and Vilebrequin, which provides us with a premier brand selling status products worldwide. Most recently, we acquired Donna Karan which, along with DKNY, are iconic and recognizable power brands.

Donna Karan

The Donna Karan business has a portfolio of some of the world's most iconic fashion brands, including DKNY, Donna Karan and DKNY Jeans. First launched in 1984, Donna Karan designs, sources, markets, retails, and distributes collections of women's and men's clothing, sportswear, accessories and shoes under the DKNY and Donna Karan brand names.

The Donna Karan's wholesale business derives its revenues from two sources:

- *Wholesale* — Donna Karan maintains partnerships with Neiman Marcus, Bloomingdale's, Nordstrom, Lord & Taylor, Saks Fifth Avenue, Harrods and Harvey Nichols, as well as best-in-class international distributors.
- *Royalties* — Donna Karan maintains strong relationships with category leading license partners, including Estee Lauder, Fossil, Hanes and Luxottica.

Over the last two years under its prior ownership, Donna Karan has undergone a significant restructuring and repositioning of its business. Significant steps were taken to elevate the brand and reduce overhead costs. In wholesale, Donna Karan exited the Donna Karan Collection, DKNY Jeans and DKNYC lines. It significantly reduced distribution by reducing or eliminating sales to off-price and club accounts. Certain company initiatives to elevate the DKNY brand (e.g., less logo product) also impacted sales and distribution. Although strong license relationships remain, royalty revenues have decreased due to terminated license agreements and underperformance of certain licensees due to both company-specific and sector trends. With Donna Karan's significant brand equity, we believe there are opportunities to expand existing categories, launch new initiatives and develop a strong licensing and distribution base. We believe that the DKNY brand has the potential for significant growth. In addition, other areas for growth include the relaunch of Donna Karan Collection and DKNY Jeans, as well as increased licensing revenues. We expect sales growth across multiple categories, led by sportswear, jeans and footwear.

The distribution agreement we signed with Macy's in March 2017 will provide us with the opportunity to distribute through Macy's retail network a total wardrobe for a woman's active, modern lifestyle. New products developed will reflect the DKNY brand DNA and emphasize a strong price-value relationship. We believe that DKNY has the potential to be the premier fashion and lifestyle brand. Products outside of

women's apparel and accessories and all products distributed by DKNY's various licensees will continue to be sold to a broad range of department stores, including Macy's. G-III will also maintain DKNY's agreements with international brand partners and distributors outside of the United States.

We also believe that the traditional Donna Karan brand also contains significant growth potential. We intend to re-launch Donna Karan as an aspirational luxury brand that will be priced above DKNY and targeted to fine department stores.

Additionally, we believe there is untapped global licensing potential in several men's categories, as well as home and jewelry. G-III intends to grow royalty streams through expansion of additional categories with existing licensees, as well as new categories with new licensees.

Donna Karan also strengthens our online retail channels and brick-and-mortar store base. We believe there are multiple opportunities to focus and enhance the DKNY and Donna Karan's websites, prudently expand retail stores over the long term, including through conversion of stores within the existing G-III retail base, and capitalize on industry relationships to ensure premium product placement in department and other retail stores nationwide**.** The distribution agreement we signed with Macy's provides us with the opportunity to bring together DKNY's remarkable global brand recognition and Macy's footprint as one of the largest nationwide retailers.

Vilebrequin

Vilebrequin is a premier provider of status swimwear, resort wear and related accessories. Vilebrequin sells its products in over 50 countries around the world. Vilebrequin has also licensed its brand for the wholesale distribution of watches and sunglasses. We believe that Vilebrequin is capable of significant worldwide expansion. A majority of Vilebrequin's current revenues are derived from sales in Europe and the United States. As of January 31, 2017, Vilebrequin products were distributed through 88 company-operated stores, as well as through 58 franchised locations, an e-commerce store in both Europe and the United States and select wholesale distribution.

Vilebrequin's iconic designs and reputation are linked to its French Riviera heritage arising from its founding in St. Tropez over forty years ago. Vilebrequin's men's swimwear, which accounts for the majority of its sales, is known for its exclusive prints, wide range of colors, attention to detail, fabric quality and well-designed cut. In addition to swimwear, Vilebrequin sells a line of resort wear products, including shirts, T-shirts, Bermuda shorts and trousers, and related accessories, including hats, beach bags, beach towels, shoes, sunglasses and watches. Vilebrequin also offers a collection of women's swimwear and resort wear. We believe that Vilebrequin is a powerful brand. We plan to continue adding more company operated and franchised retail locations and increase our wholesale distribution of Vilebrequin product throughout the world, as well as develop the business beyond its heritage in men's swimwear, resort wear and related accessories.

Andrew Marc

Andrew Marc and Marc New York provide us with upscale company-owned brands. We utilize our own in-house capabilities to create our core men's and women's outerwear and women's performance wear. We also license these brands to select third parties in certain categories.

Retail Operations

We are a national retailer of outerwear, apparel, footwear and accessories in the United States. As of January 31, 2017, our retail operations segment consisted of 411 leased retail stores, of which 190 are stores operated under our Wilsons Leather name, 163 are stores operated under our G.H. Bass brand, 50 stores are operated under our DKNY brand, 5 stores are operated under the licensed Calvin Klein Performance brand and 3 stores are operated under the Karl Lagerfeld Paris brand. Each of Wilsons Leather, G.H. Bass and DKNY also operates its own online store.

Substantially all of our Wilsons Leather, G.H. Bass and DKNY stores are operated as outlet stores and located in larger outlet centers. Wilsons Leather's stores average approximately 3,614 square feet, Bass stores average approximately 5,869 square feet and DKNY stores average approximately 3,995 square feet. Given the current retail environment, we have decided to rationalize our retail operations by closing

underperforming locations, renegotiating certain of our lease agreements and focusing our efforts on the most profitable stores. We expect aggregate store count to decline over the next few years and anticipate closing 60 stores by the end of fiscal 2018 and, possibly, an additional 55 stores by the end of fiscal 2019. We are also planning to close 4 DKNY stores in fiscal 2018. The prior owner of the Donna Karan business closed approximately 25 Donna Karan and DKNY stores since 2014 prior to our acquisition of the business.

Our Wilsons Leather retail stores primarily sell men's and women's outerwear and accessories. Outerwear sold in our Wilsons Leather stores includes both products sold to us by G-III's wholesale operations segment, as well as products sourced by us. Accessories are purchased from third parties. Merchandise is shipped from our main Brooklyn Park, Minnesota distribution center, as well as four regional distribution centers, to replenish stores as needed with key styles and to build inventory for the peak holiday selling season.

Our G.H. Bass stores offer casual and dress shoes for men and women. Most of our G.H. Bass stores also carry apparel for men and women, including tops, bottoms and outerwear, as well as accessories such as handbags, wallets, belts and travel gear. G.H. Bass stores sell footwear, apparel and accessories under the G.H. Bass brand. It also sells footwear under our Weejuns brand. We sell G.H. Bass products through outlet stores located in the United States. We also license the G.H. Bass brand for the wholesale distribution of men's and women's footwear, men's sportswear, men's and boy's tailored clothing, men's socks, women's hosiery and accessories.

Our DKNY stores offer a large range of products including sportswear, sport, dresses, suit separates, outerwear, handbags, footwear, intimates, sleepwear, hosiery, watches and eyewear. Envisioned as a complete lifestyle shopping experience, the DKNY stores aim to transport the customer into the DKNY brand from the moment they enter the city of DKNY. The DKNY merchandising philosophy will be designed around the principles of zones and classifications to establish a consistent product message and category "ownerships" as well as product presentations with a distinctly DKNY point of view.

Revenues from our retail operations, before intercompany eliminations, accounted for 19.1% of our net sales in fiscal 2017 compared to 20.9% of our net sales in fiscal 2016 and 22.2% of our net sales in fiscal 2015. Revenues from DKNY's retail operations are included for the last two months of fiscal 2017.

Manufacturing and Sourcing

G-III arranges for the production of products from independent manufacturers located primarily in China and, to a lesser extent, in Vietnam, Indonesia, Jordan, India, Bangladesh, Pakistan, Sri Lanka, Thailand, Myanmar and Central and South America. Vilebrequin's products are manufactured in Bulgaria, Italy, Tunisia, Turkey and Morocco. A small portion of our garments are manufactured in the United States.

We currently have representative offices in Hangzhou, Nanjing and Qingdao, Donguan, China, as well as in Vietnam and Indonesia. These offices act as our liaison with manufacturers in the Far East. As of January 31, 2017, we had 374 employees in these representative offices.

G-III's headquarters provides these liaison offices with production orders stating the quantity, quality, delivery time and types of garments to be produced. The personnel in our liaison offices assist in the negotiation and placement of orders with manufacturers. In allocating production among independent suppliers, we consider a number of criteria, including, but not limited to, quality, availability of production capacity, pricing and ability to meet changing production requirements.

To facilitate better service for our customers and accommodate the volume of manufacturing in the Far East, we also have a subsidiary in Hong Kong. The Hong Kong subsidiary supports third party production of products on an agency fee basis. Our Hong Kong office acts as an agent for substantially all of our production. Our China and Hong Kong offices monitor production at manufacturers' facilities to ensure quality control, compliance with our specifications and timely delivery of finished garments to our distribution facilities and, in some cases, direct to our customers. At January 31, 2017, we had 31 employees in our Hong Kong office.

In connection with the foreign manufacture of our products, manufacturers purchase raw materials including fabric, wool, leather and other submaterials (such as linings, zippers, buttons and trim) at our direction. Prior to commencing the manufacture of products, samples of raw materials or submaterials are sent to us for approval. We regularly inspect and supervise the manufacture of our products in order to ensure timely delivery, maintain quality control and monitor compliance with our manufacturing specifications. We also inspect finished products at the factory site.

We generally arrange for the production of products on a purchase order basis with completed products manufactured to our design specifications. We assume the risk of loss predominantly on a Freight-On-Board (F.O.B.) basis when goods are delivered to a shipper and are insured against casualty losses arising during shipping.

As is customary, we have not entered into any long-term contractual arrangements with any contractor or manufacturer. We believe that the production capacity of foreign manufacturers with which we have developed, or are developing, a relationship is adequate to meet our production requirements for the foreseeable future. We believe that alternative foreign manufacturers are readily available.

A majority of all finished goods manufactured for us is shipped to our distribution facilities or to designated third party facilities for final inspection and allocation, as well as reshipment to customers. The goods are delivered to our customers and us by independent shippers. We choose the form of shipment (principally ship, truck or air) based upon a customer's needs, cost and timing considerations.

Customs and Import Restrictions

Our arrangements with textile manufacturers and suppliers are subject to requisite customs clearances for textile apparel and the imposition of export duties. United States Customs duties on our textile apparel presently range from duty free to 32%, depending upon the type of fabric used, how the garment is constructed and the country of export. A substantial majority of our product is imported into the United States and, to a lesser extent, into Canada and Europe. Countries in which our products are manufactured and sold may, from time to time, impose new duties, tariffs, surcharges or other import controls or restrictions or adjust prevailing duty or tariff levels, as well as quota restrictions. Any action by the new administration in the United States to increase tariffs on imported goods would adversely affect our business. Under the provisions of the World Trade Organization ("WTO") agreement governing international trade in textiles, known as the "WTO Agreement on Textiles and Clothing," the United States and other WTO member countries have eliminated quotas on textiles and apparel-related products from WTO member countries. As a result, quota restrictions generally do not affect our business in most countries.

Apparel and other products sold by us are also subject to regulations that relate to product labeling, content and safety requirements, licensing requirements and flammability testing. We believe that we are in compliance with those regulations, as well as applicable federal, state, local, and foreign regulations relating to the discharge of materials hazardous to the environment.

Raw Materials

We purchase substantially all of the products manufactured for us on a finished goods basis. We coordinate the sourcing of raw materials used in the production of our products which are generally available from numerous sources. The apparel industry competes with manufacturers of many other products for the supply of raw materials. In prior years, the majority of our raw material inventory consisted of leather skins. Until recently, we provided these raw materials to one of our subcontractors in China to manufacture some of our leather products. Going forward, we are planning to work with manufacturers who use their own leather skins inventory.

Marketing and Distribution

G-III's products are sold primarily to department, specialty and mass merchant retail stores in the United States. We sell to approximately 2,400 customers, ranging from national and regional chains to small specialty stores. We also distribute our products through our retail stores and, to a lesser extent, through our DKNY, G.H. Bass, Wilsons Leather, Vilebrequin and Andrew Marc websites.

Sales to our 10 largest customers accounted for 64.1% of our net sales in fiscal 2017 compared to 63.5% of our net sales in fiscal 2016 and 58.4% of our net sales in fiscal 2015. Sales to Macy's, which includes sales to its Macy's and Bloomingdale's store chains, as well as through macys.com, accounted for an aggregate of 21.8% of our net sales in fiscal 2017 compared to 20.8% of our net sales in fiscal 2016 and 18.7% of our net sales in fiscal 2015. Sales to Macy's may increase as a percentage of our net sales as a result of our new expanded license agreement with Tommy Hilfiger and sales of DKNY product to Macy's, including as a result of the distribution agreement entered into in March 2017. The loss of this customer or a significant reduction in purchases by our largest customers could have a material adverse effect on our results of operations.

A substantial majority of our sales are made in the United States. We also market our products in Canada, Europe and the Far East, which, on a combined basis, accounted for approximately 8.6% of our net sales in fiscal 2017. See Note K to our Consolidated Financial Statements for information with respect to revenues and long-lived assets attributed by geographic region.

G-III's products are sold primarily through a direct sales force consisting of 260 employees at January 31, 2017. Our principal executives are also actively involved in sales of our products. Some of our products are also sold by independent sales representatives located throughout the United States. The Canadian market is serviced by a sales and customer service team based both in the United States and in Canada. Sales outside of the United States are managed by 13 salespeople located in our offices across Asia. At January 31, 2017, (i) the Donna Karan direct sales force consisted of 54 sales people located in the United States and in Europe, (ii) we employed 8 salespeople located in Canada with respect to sales of Kensie product and (iii) Vilebrequin employed 13 salespeople, most of them located across Europe.

Brand name products sold by us pursuant to a license agreement are promoted by institutional and product advertisements placed by the licensor. Our license agreements generally require us to pay the licensor a fee, based on a percentage of net sales of licensed product, to pay for a portion of these advertising costs. We may also be required to spend a specified percentage of net sales of a licensed product on advertising placed by us.

Our marketing and press efforts on behalf of the DKNY and Donna Karan brands are highly focused around communicating brand DNA and visual identity for the new evolution of DKNY and Donna Karan. We are seeking to re-build the brand image through high impact ad campaigns that feature socially relevant talent. We are striving to create noteworthy marketing initiatives, collaborations and image programs to build brand awareness and bring in a new young customer. Donna Karan and DKNY will continue to support global licensees with brand campaigns and product images to tell the brand story. We expect to invest in digital media and storytelling for brand amplification and to establish comprehensive commercial marketing tools that will support our global wholesale and retail channels.

Marketing efforts by Wilsons Leather and G.H. Bass are primarily focused on increasing store traffic and then converting customers to buyers. This goal is mainly accomplished through our customer relations programs, local advertising and mall marketing promotions along with marketing initiatives through the Internet, social media and public relations support. We continue to revitalize and build the G.H. Bass heritage brand through products featuring new design and comfort technology, improved assortments and additional category licenses with strong partners.

Vilebrequin's marketing efforts have been based on continually offering new swimwear prints and expanding the range of its products to new categories such as women's swimwear, ready to wear and accessories. Besides its traditional advertising networks (print and outdoor advertising), Vilebrequin is seeking to develop new marketing channels through the use of digital media, product placement and public relations. Through the growth of its network of stores, distributors and franchisees, Vilebrequin is seeking to reinforce its position in its traditional markets, such as the United States and Europe, and to develop new markets in Asia and the Middle East.

We advertise our Andrew Marc brand and are engaged in both cooperative advertising programs with retailers and direct to the consumer. We are focused on creating an image that will broaden the lifestyle appeal of our Andrew Marc brands. Our marketing strategy is focused on media, public relations and channel marketing. Our media strategy for Andrew Marc includes traditional print, such as catalogs, and outdoor advertising, as well as digital and social media initiatives.

We believe we have developed awareness of our other owned labels primarily through our reputation, consumer acceptance and the fashion press. We primarily rely on our reputation and relationships to generate business in the private label portion of our wholesale operations segment. We believe we have developed a significant customer following and positive reputation in the industry as a result of, among other things, our standards of quality control, on-time delivery, competitive pricing and willingness and ability to assist customers in their merchandising of our products.

Seasonality

Retail sales of outerwear and other apparel have traditionally been seasonal in nature. Historically, we have been dependent on our sales from July through November for the substantial majority of our net sales and net income. Net sales in the months of July through November accounted for approximately 54% of our net sales in fiscal 2017, 57% of our net sales in fiscal 2016 and 56% of our net sales in fiscal 2015. We are highly dependent on our results of operations during the second half of our fiscal year. The second half of the year is expected to continue to provide a disproportionate amount of our net sales and a substantial majority of our net income for the foreseeable future. The addition of the Donna Karan businesses is not expected to significantly impact the seasonality of our business.

Order Book

A portion of our orders consists of short-term purchase orders from customers who place orders on an as-needed basis. Information relative to open purchase orders at any date may also be materially affected by, among other things, the timing of the initial showing of apparel to the trade, as well as by the timing of recording of orders and shipments. As a result, we do not believe that disclosure of the amount of our unfilled customer orders at any time is meaningful.

Competition

We have numerous competitors with respect to the sale of our products, including brand owners, distributors that import products from abroad, and domestic retailers with established foreign manufacturing capabilities. Some of our competitors have greater financial and marketing resources and greater manufacturing capacity than we do. Our retail business competes against a diverse group of retailers, including, among others, other outlet stores, department stores, specialty stores, warehouse clubs and e-commerce retailers. Sales of our products are affected by style, price, quality, brand reputation and general fashion trends.

Trademarks

We own some of the trademarks used by us in connection with our wholesale operations segment, as well as almost all of the trademarks used in our retail operations segment. We act as licensee of certain trademarks owned by third parties that are used in connection with our wholesale operations segment. The principal brands that we license are summarized under the heading “Licensing” above. We own a number of proprietary brands that we use in connection with our business and products including, among others, DKNY, Donna Karan, Vilebrequin, G.H. Bass, Weejuns, Wilsons, Andrew Marc, Marc New York, Eliza J, Jessica Howard and G-III Sports by Carl Banks. We have registered, or applied for registration of, many of our trademarks in multiple jurisdictions for use on a variety of apparel and related other products.

In markets outside of the United States, our rights to some of our trademarks may not be clearly established. In the course of our attempt to expand into foreign markets, we may experience conflicts with various third parties who have acquired ownership rights in certain trademarks that would impede our use and registration of some of our trademarks. Such conflicts may arise from time to time as we pursue international expansion. Although we have not in the past suffered any material restraints or restrictions on doing business in desirable markets or in new product categories, we cannot be sure that significant impediments will not arise in the future as we expand product offerings and introduce additional brands to new markets.

We regard our trademarks and other proprietary rights as valuable assets and believe that they have value in the marketing of our products. We vigorously protect our trademarks and other intellectual property rights against infringement.

Employees

As of January 31, 2017, we had 8,734 employees, of whom 551 worked in executive or administrative capacities, 1,299 worked in design, merchandising and sourcing, 756 worked in warehouse and distribution facilities, 260 worked in wholesale sales, and 5,868 worked in our retail stores. Additionally, during our peak retail selling season from October through January, we employed approximately 2,184 additional seasonal associates in our retail stores. We employ both union and non-union personnel and believe that our relations with our employees are good. We have not experienced any interruption of any of our operations due to a labor disagreement with our employees.

G-III is a party to an agreement with a labor union. As of January 31, 2017, this agreement covers approximately 465 of our full-time employees, most of whom work in our warehouses located in New Jersey, and is currently in effect through November 15, 2017. Through its membership in an association, G-III's subsidiary The Donna Karan Company LLC is a party to an agreement with the same union. The Donna Karan agreement covers approximately 27 full time employees, most of whom work in their warehouse in New Jersey. This agreement is currently in effect through May 31, 2019.

G-III's subsidiary The Donna Karan Company LLC is also a party to an agreement with another labor union. As of January 31, 2017, this agreement covers approximately 10 of our full-time employees, most of whom work as pattern makers in our New York offices. The agreement is currently in effect through May 31, 2019.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information with respect to our executive officers.

Name	Age	Position
Morris Goldfarb	66	Chairman of the Board, Chief Executive Officer and Director
Sammy Aaron	57	Vice Chairman, President and Director
Wayne S. Miller	59	Chief Operating Officer and Secretary
Neal S. Nackman	57	Chief Financial Officer and Treasurer
Jeffrey Goldfarb	40	Executive Vice President

Morris Goldfarb is our Chairman of the Board and Chief Executive Officer, as well as one of our directors. Mr. Goldfarb has served as an executive officer of G-III and our predecessors since our formation in 1974.

Sammy Aaron is our Vice Chairman and President, as well as one of our directors. He has served as an executive officer since we acquired the Marvin Richards business in July 2005. Mr. Aaron is also the Chief Executive Officer of our Calvin Klein divisions. Prior to joining G-III, he served as the President of Marvin Richards from 1998 until July 2005.

Wayne S. Miller has been our Chief Operating Officer since December 2003 and our Secretary since November 1998. He also served as our Chief Financial Officer from April 1998 until September 2005 and as our Treasurer from November 1998 until April 2006.

Neal S. Nackman has been our Chief Financial Officer since September 2005 and was elected Treasurer in April 2006. Mr. Nackman served as Vice President — Finance from December 2003 until April 2006.

Jeffrey Goldfarb has been our Executive Vice President and Director of Strategic Planning since June 2016. He has been employed by G-III in a number of other capacities since 2002. Prior to becoming Executive Vice President, he served as our Director of Business Development for more than five years. Jeffrey Goldfarb is the son of Morris Goldfarb.

ITEM 1A. ***RISK FACTORS.***

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking statements contained in this Annual Report on Form 10-K. Any of the following risks could materially adversely affect our business, our prospects, our operating results, our financial condition, the trading prices of our securities and the actual outcome of matters as to which forward-looking statements are made in this report. Additional risks that we do not yet know of or that we currently think are immaterial may also affect our business operations.

Risk Factors Relating to Our Wholesale Operations

The failure to maintain our license agreements could cause us to lose significant revenues and have a material adverse effect on our results of operations.

We are dependent on sales of licensed products for a substantial portion of our revenues. In fiscal 2017, net sales of licensed product accounted for 60.7% of our net sales compared to 59.2% of our net sales in fiscal 2016 and 57.6% of our net sales in fiscal 2015.

We are generally required to achieve specified minimum net sales, make specified royalty and advertising payments and receive prior approval of the licensor as to all design and other elements of a product prior to production. License agreements also may restrict our ability to enter into other license agreements for competing products or acquire businesses that produce competing products without the consent of the licensor. If we do not satisfy any of these requirements or receive approval with respect to a restricted transaction, a licensor usually will have the right to terminate our license. Even if a licensor does not terminate our license, the failure to achieve net sales sufficient to cover our required minimum royalty payments could have a material adverse effect on our results of operations. If a license contains a renewal provision, there are usually minimum net sales and other conditions that must be met in order to be able to renew a license. Even if we comply with all the terms of a license agreement, we cannot be sure that we will be able to renew an agreement when it expires even if we desire to do so. The failure to maintain or renew our license agreements could cause us to lose significant revenue and have a material adverse effect on our results of operations.

Our success is dependent on the strategies and reputation of our licensors.

We strive to offer our products on a multiple brand, multiple channels and multiple price point basis. As a part of this strategy, we license the names and brands of numerous recognized companies, designers and celebrities. In entering into these license agreements, we plan our products to be targeted towards different market segments based on consumer demographics, design, suggested pricing and channel of distribution. If any of our licensors decides to "reposition" its products under the brands we license from them, introduce similar products under similar brand names or otherwise change the parameters of design, pricing, distribution, target market or competitive set, we could experience a significant downturn in that brand's business, adversely affecting our sales and profitability. In addition, as licensed products may be personally associated with designers or celebrities, our sales of those products could be materially and adversely affected if any of those individuals' images, reputations or popularity were to be negatively impacted.

Any adverse change in our relationship with PVH Corp. and its Calvin Klein or Tommy Hilfiger brands would have a material adverse effect on our results of operations.

We have ten different license agreements relating to a variety of products sold under the Calvin Klein brand that is owned by PVH Corp. We have three different license agreements for products sold under the Tommy Hilfiger brand, which is also owned by PVH. In February 2016, we significantly expanded our relationship with Tommy Hilfiger through a new license for women's sportswear, suit separates, performance and denim. Our Tommy Hilfiger dress license was also incorporated into this new license. Net sales of these two brands owned by PVH constituted approximately 44% of our net sales in fiscal 2017. Any adverse change in our relationship with PVH, or in the reputation of Calvin Klein or Tommy Hilfiger, would have a material adverse effect on our results of operations.

Our business and the success of our products could also be harmed if we are unable to maintain or enhance the images of our proprietary brands.

Our success has also been due to the growth of our proprietary brands, their favorable images and our customers' connection to our brands. Our recent acquisition of Donna Karan and its DKNY and Donna Karan brands, further expands our portfolio of proprietary brands. If we are unable to timely and appropriately respond to changing consumer demand, the value and images of our brands may be impaired. Even if we react appropriately to changes in consumer preferences, consumers may consider our brands' images to be outdated or associate our brands with styles that are no longer popular. In addition, brand value is based in part on consumer perceptions on a variety of qualities, including merchandise quality and corporate integrity. Negative claims or publicity regarding G-III, our brands or our products could adversely affect our reputation and sales regardless of whether such claims are accurate. Social media, which accelerates the dissemination of information, can increase the challenges of responding to negative claims. In the past, many apparel companies have experienced periods of rapid growth in sales and earnings followed by periods of declining sales and losses. Our businesses may be similarly affected in the future.

If our customers change their buying patterns, request additional allowances, develop their own private label brands or enter into agreements with national brand manufacturers to sell their products on an exclusive basis, our sales to these customers could be materially adversely affected.

Our customers' buying patterns, as well as the need to provide additional allowances to customers, could have a material adverse effect on our business, results of operations and financial condition. Customers' strategic initiatives, including developing their own private labels brands, selling national brands on an exclusive basis or reducing the number of vendors they purchase from, could also impact our sales to these customers. There is a trend among major retailers to concentrate purchasing among a narrowing group of vendors. To the extent that any of our key customers reduces the number of its vendors and, as a result, reduces or eliminates purchases from us, there could be a material adverse effect on us.

We have significant customer concentration, and the loss of one of our large customers could adversely affect our business.

Our 10 largest customers, all of which are department or discount store groups, accounted for approximately 64.1% of our net sales in fiscal 2017, 63.5% of our net sales in fiscal 2016 and 58.4% of our net sales in fiscal 2015, with the Macy's Inc. group accounting for approximately 21.8% of our net sales in fiscal 2017. We expect that the percentage of our sales to Macy's will increase as a result of our new womenswear license agreement with Tommy Hilfiger and DKNY's distribution agreement with Macy's entered into in March 2017. Consolidation in the retail industry could increase the concentration of our sales to our largest customers. A number of large department or discount store groups, including Macy's, have announced their intention to close a significant number of stores. This reduction in store count could adversely affect our results of operations.

We do not have long-term contracts with any customers, and sales to customers generally occur on an order-by-order basis that may be subject to cancellation or rescheduling by the customer. A decision by our major customers to decrease the amount of merchandise purchased from us, increase the use of their own private label brands, sell a national brand on an exclusive basis or change the manner of doing business with us could reduce our revenues and materially adversely affect our results of operations. The loss of any of our large customers, or the bankruptcy or serious financial difficulty of any of our large customers, could have a material adverse effect on us.

If we miscalculate the market for our products, we may end up with significant excess inventories for some products and missed opportunities for others.

We often produce products to hold in inventory in order to meet our customers' delivery requirements and to be able to quickly fulfill reorders. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities for others. In addition, weak sales and resulting markdown requests from customers could have a material adverse effect on our results of operations.

Risks Relating to Our Retail Operations

Leasing of significant amounts of real estate exposes us to possible liabilities and losses.

All of the stores operated by us are leased. Accordingly, we are subject to all of the risks associated with leasing real estate. Our exposure with respect to retail store leases increased as a result of our acquisition of Donna Karan. Store leases generally require us to pay a fixed minimum rent and a variable amount based on a percentage of annual sales at that location. We generally cannot cancel our leases. If an existing or future store is not profitable, and we decide to close it, we may be committed to perform certain obligations under the applicable lease including, among other things, paying rent for the balance of the applicable lease term. As each of our leases expires, if we do not have a renewal option, we may be unable to negotiate a renewal, on commercially acceptable terms or at all, which could cause us to close stores in desirable locations. In addition, we may not be able to close an unprofitable store due to an existing operating covenant, which may cause us to operate the location at a loss and prevent us from finding a more desirable location.

Our retail stores are heavily dependent on the ability and desire of consumers to travel and shop. A reduction in the volume of outlet mall traffic could adversely affect our retail sales.

Substantially all of our retail stores are operated as outlet stores and located in larger outlet centers, many of which are located in, or near, vacation destinations or away from large population centers where department stores and other traditional retailers are concentrated. Economic uncertainty, increased fuel prices, travel concerns and other circumstances, which would lead to decreased travel, could have a material adverse effect on sales at our outlet stores. Other factors which could affect the success of our outlet stores include:

- the location of the outlet mall or the location of a particular store within the mall;
- the other tenants occupying space at the outlet mall;
- increased competition in areas where the outlet malls are located;
- a downturn in the economy generally or in a particular area where an outlet mall is located;
- a downturn in foreign shoppers in the United States; and
- the amount of advertising and promotional dollars spent on attracting consumers to the outlet malls.

Sales at our outlet stores are derived, in part, from the volume of traffic at the malls where our stores are located. In fiscal 2017, outlet malls experienced a reduction in consumer traffic which adversely affected the results of our retail operations segment. Our outlet stores benefit from the ability of a mall's other tenants and other area attractions to generate consumer traffic in the vicinity of our stores and the continuing popularity of outlet malls as shopping destinations. Changes in areas around our existing retail locations, including the type and nature of the other retailers located near our stores, that result in reductions in customer foot traffic or otherwise render the locations unsuitable could cause our sales to be less than expected. A reduction in outlet mall traffic as a result of these or other factors could materially adversely affect our business.

Our ability to successfully open and operate new retail stores depends on many factors.

Our ability to successfully open and operate new retail stores depends on many factors, including, among others, our ability to:

- identify new markets where our products and brand image will be accepted or the performance of our retail stores will be successful;
- obtain desired locations, including store size and adjacencies, in targeted malls;
- negotiate acceptable lease terms, including desired rent and tenant improvement allowances, to secure suitable store locations;

- achieve brand awareness, affinity and purchase intent in the new markets;
- hire, train and retain store associates and field management;
- assimilate new store associates and field management into our corporate culture;
- source and supply sufficient inventory levels; and
- successfully integrate new retail stores into our existing operations and information technology systems.

The retail business is intensely competitive and increased or new competition could have a material adverse effect on us.

The retail industry is intensely competitive. We compete against a diverse group of retailers, including, among others, other outlet stores, department stores, specialty stores, warehouse clubs and e-commerce retailers. We also compete in particular markets with a number of retailers that specialize in the products that we sell. A number of different competitive factors could have a material adverse effect on our retail business, results of operations and financial condition including:

- increased operational efficiencies of competitors;
- competitive pricing strategies, including deep discount pricing by a broad range of retailers during periods of poor consumer confidence or economic instability;
- expansion of product offerings by existing competitors;
- entry by new competitors into markets in which we operate retail stores; and
- adoption by existing competitors of innovative retail sales methods.

We may not be able to continue to compete successfully with our existing or new competitors, or be assured that prolonged periods of deep discount pricing by our competitors will not have a material adverse effect on our business.

Risk Factors Relating to the Acquisition of Donna Karan International

Our failure to successfully integrate the Donna Karan business or realize the benefits of this acquisition in a timely and cost-efficient manner could adversely affect our business.

The success of the Donna Karan acquisition will depend, in part, on our ability to fully realize the anticipated benefits of adding the Donna Karan business to our portfolio. Prior to our acquisition, sales of the Donna Karan business were decreasing, in large part due to restructuring decisions made by the prior owner. The Donna Karan business incurred significant net losses in the year ended December 31, 2015 and the nine months ended September 30, 2016, as well in the two months of our fiscal 2017 year after we acquired Donna Karan. In addition, at the time of the acquisition, its retail operations were experiencing declines in comparable store sales, sales per square foot and gross margins. To realize the anticipated benefits of the transaction, as well as operate on a profitable basis, we must successfully integrate the Donna Karan business into our business, increase sales of DKNY and other Donna Karan products and improve the operations of the company. Any failure to timely realize these anticipated benefits could have a material adverse effect on our results of operations and financial position.

Donna Karan and G-III operated independently until the completion of the acquisition on December 1, 2016. Employees of Donna Karan may experience uncertainty about their roles within the combined company, which may adversely affect our ability to retain or recruit key managers and other employees. A number of senior employees of Donna Karan decided to leave the company after its acquisition by us, including the company's chief executive officer and creative designers. We will need to assimilate new key personnel and hire additional key personnel in order to successfully operate the Donna Karan business. Uncertainty and the integration process could result in: the loss of key employees, suppliers, distributors, other business partners or significant customers; decreases in revenues; increases in taxes or operating or other costs; and the disruption of Donna Karan's or G-III's ongoing business, any of

which could limit our ability to achieve the anticipated benefits of the Donna Karan acquisition and have an adverse effect on our operating results. Integration efforts will also require substantial commitments of management time and attention and other resources, which could otherwise have been allocated to different uses that may have been beneficial to our business.

We have entered into an exclusive arrangement with Macy's with respect to DKNY women's apparel and accessories commencing February 2018. If this arrangement does not result in significant sales of DKNY product, our results of operations could be adversely affected.

In March 2017, we entered into an agreement with Macy's under which Macy's will serve, beginning February 2018, as the exclusive U.S. department store for sales of DKNY women's apparel and accessories. We will need to sell a significant amount of DKNY product to Macy's in order for us to realize the anticipated benefits of our acquisition of the Donna Karan business. For this acquisition to be successful, we also need to sell DKNY product outside women's apparel and accessories to Macy's and other department stores and our licensees will need to sell licensed DKNY product to Macy's and other department stores. Other department stores could decide to carry lower amounts of DKNY products, or not to carry DKNY products at all, as a result of our exclusive arrangement with Macy's. If Macy's is not able to sell a significant amount of DKNY product or if other department stores reduce their amount of purchases of DKNY product or decide not to sell DKNY product, our results of operations could be adversely affected.

Our indebtedness increased following the completion of the acquisition of Donna Karan, which could adversely affect us.

Following the completion of the acquisition of Donna Karan, our indebtedness significantly increased. We entered into a new $650 million senior secured asset-based revolving credit facility, which replaced our previous $450 million facility, and a $350 million senior secured term loan facility (collectively, the "Bank Debt"). In addition to the indebtedness under the Bank Debt, we also incurred $125 million of debt pursuant to a junior lien secured note in favor of the seller of the Donna Karan business. The increase in the amount of our outstanding debt could adversely affect us by decreasing our business flexibility and increasing our borrowing costs. The Bank Debt contains certain restrictive covenants imposing operating and financial restrictions on us. These covenants restrict our ability and the ability of certain of our subsidiaries, among other things, to: incur or guarantee indebtedness; incur liens; pay dividends or repurchase stock; enter into transactions with affiliates; consummate asset sales, acquisitions or mergers; prepay certain other indebtedness; or make investments. The revolving credit facility also requires us to comply with certain financial covenants.

The operating restrictions and financial covenants in the Bank Debt may limit our ability to finance future operations, capital needs or acquisitions or to engage in other business activities. Our ability to comply with financial covenants could be materially affected by events beyond our control, and there can be no assurance that we will satisfy any such requirements. If we fail to comply with these covenants, we may need to seek waivers or amendments of such covenants, seek alternative or additional sources of financing or reduce our expenditures. We may be unable to obtain such waivers, amendments or alternative or additional financing on favorable terms, or at all.

If an event of default occurs, the lenders under the Bank Debt, as well as the holder of the seller note, may declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable and exercise remedies in respect of the collateral. We may not be able to repay all amounts due under the Bank Debt or seller note in the event these amounts are declared due upon an event of default.

Our debt level and related debt service obligations could have negative consequences, including:

- requiring us to dedicate significant cash flow from operations to the payment of principal, interest and other amounts payable on our debt, which would reduce the funds we have available for other purposes, such as working capital, capital expenditures, acquisitions, share repurchases and dividends;

- making it more difficult or expensive for us to obtain any necessary future financing for working capital, capital expenditures, debt service requirements, debt refinancing, acquisitions or other purposes;
- reducing our flexibility in planning for or reacting to changes in our industry or market conditions;
- making us more vulnerable in the event of a downturn in our business operations or in the economy; and
- exposing us to interest rate risk given that a substantial portion of our debt obligations is at variable interest rates.

The Term Facility was the first debt issued by us that was rated by rating agencies. Our credit rating and ability to access well-functioning capital markets are important to our ability to secure future debt financing on acceptable terms.

Our access to the debt markets and the terms of such access depend on multiple factors including the condition of the debt capital markets, our operating performance and our credit ratings. The Term Facility was the first debt issued by us that was assigned a rating by the major credit rating agencies. These ratings are based on a number of factors including their assessment of our financial strength and financial policies. Our borrowing costs will be dependent to some extent on the rating assigned to our debt. However, there can be no assurance that any particular rating assigned to us will remain in effect for any given period of time or that a rating will not be changed or withdrawn by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating so warrant. Incurrence of additional debt by us could adversely affect our credit rating. Any disruptions or turmoil in the capital markets or any downgrade of our credit rating could adversely affect our cost of funds, liquidity, competitive position and access to capital markets, which could materially and adversely affect our business operations, financial condition and results of operations.

We incurred significant transaction costs as a result of the Donna Karan acquisition and will continue to incur costs as a result of this acquisition.

We incurred significant one-time transaction costs related to the Donna Karan acquisition. These transaction costs included investment banking, lender, accounting and legal fees and expenses and other related charges. We may also incur additional unanticipated transaction costs in connection with the Donna Karan acquisition. Additional costs will be incurred in connection with integrating the Donna Karan business with our business. Costs incurred in connection with the Donna Karan acquisition and integration may be higher than expected. These costs could adversely affect our financial position and results of operations.

Donna Karan will be subject to additional regulatory requirements as a result of becoming part of a publicly-traded company in the United States.

Prior to our acquisition of Donna Karan, it was an indirect, wholly-owned subsidiary of a company that is traded on the Paris Bourse. As such, Donna Karan was not subject to the information and reporting requirements of the Securities Exchange Act of 1934, as amended and other federal securities laws, as well as the compliance obligations of the Sarbanes-Oxley Act of 2002, including with respect to internal control over financial reporting, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, including with respect to the use of so-called "conflict minerals." Compliance with these new obligations as a result of Donna Karan becoming a part of G-III, a publicly-traded company in the United States, will require significant resources and management attention, and any failure to comply could have a material adverse effect on us.

Risk Factors Relating to the Operation of Our Business

If we lose the services of our key personnel, or are unable to attract key personnel, our business will be harmed.

Our future success depends on Morris Goldfarb, our Chairman and Chief Executive Officer, and other key personnel. The loss of the services of Mr. Goldfarb and any negative market or industry perception

arising from the loss of his services could have a material adverse effect on us and the price of our shares. Our other executive officers have substantial experience and expertise in our business and have made significant contributions to our success. The unexpected loss of services of one or more of these individuals or the inability to attract key personnel could also adversely affect us.

We have expanded our business through acquisitions that could result in diversion of resources, an inability to integrate acquired operations and extra expenses. This could disrupt our business and adversely affect our financial condition.

Part of our growth strategy is to pursue acquisitions. The negotiation of potential acquisitions as well as the integration of acquired businesses could divert our management's time and resources. Acquired businesses may not be successfully integrated with our operations. We may not realize the intended benefits of an acquisition, such as our recent acquisition of Donna Karan. We also might not be successful in identifying or negotiating suitable acquisitions which could negatively impact our growth strategy.

Acquisitions could also result in:

- substantial cash expenditures;
- potentially dilutive issuances of equity securities;
- the incurrence of debt and contingent liabilities;
- a decrease in our profit margins;
- amortization of intangibles and potential impairment of goodwill;
- reduction of management attention to other parts of our business;
- failure to generate expected financial results or reach business goals; and
- increased expenditures on human resources and related costs.

If acquisitions disrupt our operations, our business may suffer.

We may need additional financing to continue to grow.

We incurred significant additional debt in connection with our acquisition of Donna Karan. The continued growth of our business, including as a result of acquisitions, depends on our access to sufficient funds to support our growth. Our primary source of working capital to support the growth of our operations is our revolving credit agreement which currently extends to December 2021. Our growth is dependent on our ability to continue to be able to extend and increase our line of credit. If we are unable to refinance our debt, we cannot be sure we will be able to secure alternative financing on satisfactory terms or at all. The loss of the use of this credit facility or the inability to replace this facility when it expires would materially impair our ability to operate our business.

Our business is highly seasonal.

Retail sales of apparel have traditionally been seasonal in nature. Historically, we have been dependent on our sales from July through November for the substantial majority of our net sales and net income. Net sales in the months of July through November accounted for approximately 54% of our net sales in fiscal 2017, 57% of our net sales in fiscal 2016 and 56% of our net sales in fiscal 2015. We are highly dependent on our results of operations during the second half of our fiscal year. Any difficulties we may encounter during this period as a result of weather or disruption of manufacturing or transportation of our products will have a magnified effect on our net sales and net income for the year. In addition, because of the large amount of outerwear we sell at both wholesale and retail, unusually warm weather conditions during the peak fall and winter outerwear selling season, including as a result of any change in historical climate patterns, could have a material adverse effect on our results of operations. Our quarterly results of operations for our retail business also may fluctuate based upon such factors as the timing of certain holiday seasons, the number and timing of new store openings, the acceptability of seasonal merchandise offerings, the timing and level of markdowns, store closings and remodels, competitive factors, weather and

general economic conditions. The second half of the year is expected to continue to provide a disproportionate amount of our net sales and a substantial majority of our net income for the foreseeable future.

Extreme or unseasonable weather conditions could adversely affect our business.

Extreme weather events and changes in weather patterns can influence customer trends and shopping habits. Extended periods of unseasonably warm temperatures during the fall and winter seasons, or cool weather during the summer season, may diminish demand for our seasonal merchandise. Heavy snowfall, hurricanes or other severe weather events in the areas in which our retail stores and the retail stores of our wholesale customers are located may decrease customer traffic in those stores and reduce our sales and profitability. If severe weather events were to force closure of or disrupt operations at the distribution centers we use for our merchandise, we could incur higher costs and experience longer lead times to distribute our products to our retail stores, wholesale customers or e-commerce customers. If prolonged, such extreme or unseasonable weather conditions could adversely affect our business, financial condition and results of operations.

If we are unable to successfully translate market trends into attractive product offerings, our sales and profitability could suffer.

The retail and apparel industries are subject to sudden shifts in consumer trends and consumer spending. Our ability to successfully compete depends on a number of factors, including our ability to effectively anticipate, gauge and respond to changing consumer demands and tastes across multiple product lines and tiers of distribution. We are required to translate market trends into attractive product offerings and operate within substantial production and delivery constraints. We cannot be sure we will continue to be successful in this regard. We need to anticipate and respond to changing trends quickly, efficiently and effectively in order to be successful. Our failure to anticipate, identify or react appropriately to changes in customer tastes, preferences, shopping and spending patterns could lead to, among other things, excess inventories or a shortage or products and could have a material adverse effect on our financial condition and results of operations.

Expansion of our product offerings involves significant costs and uncertainty and could adversely affect our results of operations.

An important part of our strategy is to expand the types of products we offer. During the past few years, we have added licenses for new lines of women's suits, dresses, performance wear, sportswear and men's and women's swimwear, as well as women's handbags, small leather goods and luggage. We became a manufacturer of swimwear, resort wear and related accessories as a result of our acquisition of Vilebrequin and a manufacturer of footwear as a result of our acquisition of G.H. Bass. We intend to continue to add additional product lines and expand existing brands into new product lines in the future. As is typical with new products, demand and market acceptance for any new products we introduce will be subject to uncertainty. Designing, producing and marketing new products require substantial expenditures. We cannot be certain that our efforts and expenditures will successfully generate sales or that sales that are generated will be sufficient to cover our expenditures.

Operation of our Vilebrequin business involves costs and uncertainties.

Vilebrequin sells its products through a network of both owned and franchised specialty retail stores and shops, online stores, as well as through select wholesale distribution. Our success with Vilebrequin will be dependent, in part, on our ability to protect and enhance the reputation and status of the Vilebrequin brand and maintain the distinctive design and construction of Vilebrequin's key swimwear products that utilize a specialized fabric. As a result, Vilebrequin sources a significant majority of its product with a limited number of manufacturers. Any disruption in the operations of these manufacturers could create an inability to supply required goods to our stores or to our wholesale customers in a timely fashion or without a significant delay, as we may not be able to quickly find another manufacturer that can meet Vilebrequin's production requirements. Operation of an international retail and wholesale business could divert our management's time and resources from our core domestic business and could negatively impact our results of operations.

We are subject to the risk of inventory loss and theft.

Efficient inventory management is a key component of our business success and profitability. To be successful, we must maintain sufficient inventory levels and an appropriate product mix to meet the demands of our wholesale and retail customers without allowing those levels to increase to such an extent that the costs to store and hold the goods unduly impacts our financial results. If our buying decisions do not accurately predict customer trends or purchasing actions, we may have to take unanticipated markdowns to dispose of the excess inventory, which also can adversely impact our financial results. We continue to focus on ways to reduce these risks, but we cannot be certain you that we will continue to be successful in our inventory management. If we are not successful in managing our inventory balances, our cash flows from operations and net income may be negatively affected.

We have experienced inventory shrinkage in the past, and we cannot be certain that incidences of inventory loss and theft will decrease in the future or that the measures we are taking will effectively reduce the problem of inventory shrinkage. Although some level of inventory shrinkage is an unavoidable cost of doing business, if we were to experience higher rates of inventory shrinkage or incur increased security costs to combat inventory theft, our results of operations could be adversely affected.

Fluctuations in the price, availability and quality of materials used in our products could have a material adverse effect on our cost of goods sold and our ability to meet our customers' demands.

Fluctuations in the price, availability and quality of raw materials used in our products could have a material adverse effect on our cost of sales or our ability to meet our customers' demands. We compete with numerous entities for supplies of materials and manufacturing capacity. Raw materials are vulnerable to adverse climate conditions, animal diseases and natural disasters that can affect the supply and price of raw materials. We may not be able to pass on all or any portion of higher raw material prices to our customers. Future increases in raw material prices could have an adverse effect on our results of operations.

Any raw material price increase or increase in costs related to the transport of our products (primarily petroleum costs) could increase our cost of sales and decrease our profitability unless we are able to pass higher prices on to our customers. In addition, if one or more of our competitors is able to reduce its production costs by taking greater advantage of any reductions in raw material prices, favorable sourcing agreements or new manufacturing technologies (which enable manufacturers to produce goods on a more cost-effective basis) we may face pricing pressures from those competitors and may be forced to reduce our prices or face a decline in net sales, either of which could have an adverse effect on our business, results of operations or financial condition.

Our trademark and other intellectual property rights may not be adequately protected.

We believe that our trademarks and other proprietary rights are important to our success and our competitive position. We may, however, experience conflict with various third parties who acquire or claim ownership rights in certain trademarks. We cannot be sure that the actions we have taken to establish and protect our trademarks and other proprietary rights will be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as a violation of the trademarks and proprietary rights of others.

In the course of our attempts to expand into foreign markets, we may experience conflicts with various third parties who have acquired ownership rights in certain trademarks, which would impede our use and registration of some of our trademarks. Such conflicts are common and may arise from time to time as we pursue international expansion, such as with the expansion of our Donna Karan, Vilebrequin and G.H. Bass businesses. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as the laws of the United States. Enforcing rights to our intellectual property may be difficult and expensive, and we may not be successful in combating counterfeit products and stopping infringement of our intellectual property rights, which could make it easier for competitors to capture market share. Furthermore, our efforts to enforce our trademark and other intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our trademark and other intellectual property rights. If we are unsuccessful in protecting and enforcing our intellectual property rights, continued sales of such competing products by third parties could harm our brands and adversely impact our business, financial condition and results of operations.

We are dependent upon foreign manufacturers.

We do not own or operate any manufacturing facilities. We also do not have long-term written agreements with any of our manufacturers. As a result, any of these manufacturers may unilaterally terminate its relationship with us at any time. Almost all of our products are imported from independent foreign manufacturers. The failure of these manufacturers to meet required quality standards could damage our relationships with our customers. In addition, the failure by these manufacturers to ship products to us in a timely manner could cause us to miss the delivery date requirements of our customers. The failure to make timely deliveries could cause customers to cancel orders, refuse to accept delivery of products or demand reduced prices.

We are also dependent on these manufacturers for compliance with our policies and the policies of our licensors and customers regarding labor practices employed by factories that manufacture product for us. Any failure by these manufacturers to comply with required labor standards or any other divergence in their labor or other practices from those generally considered ethical in the United States and the potential negative publicity relating to any of these events, could result in a violation by us of our license agreements and harm us and our reputation. In addition, a manufacturer's failure to comply with safety or content regulations and standards could result in substantial liability and harm to our reputation.

The use of foreign manufacturers subjects us to additional risks.

Our arrangements with foreign manufacturers are subject to the usual risks of engaging in business abroad, including currency fluctuations, political or labor instability and potential import restrictions, duties and tariffs. We do not maintain insurance for the potential lost profits due to disruptions of our overseas manufacturers. Because our products are produced abroad, primarily in China, political or economic instability in China or elsewhere could cause substantial disruption in the business of our foreign manufacturers. For example, in the past, the Chinese government has reduced tax rebates to factories for the manufacture of textile and leather garments. The rebate reduction resulted in factories seeking to recoup more of their costs from customers, resulting in higher prices for goods imported from China. This tax rebate has been reinstated in certain instances. However, new or increased reductions in this rebate would cause an increase in the cost of finished products from China which could materially adversely affect our financial condition and results of operations.

Heightened terrorism security concerns could subject imported goods to additional, more frequent or more thorough inspections. This could delay deliveries or increase costs, which could adversely impact our results of operations.

Our expansion into the European market exposes us to uncertain economic conditions in the Euro zone.

Demand for our products depends in part on the general economic conditions affecting the countries in which we do business. We are attempting to expand our presence in the European markets, including as a result of our Donna Karan and Vilebrequin businesses. Recently, the economic situation in Europe has been unstable, arising from concerns that certain European countries may default in payments due on their national debt obligations and from related European financial restructuring efforts, as well as overall weak economic performance within the European market. If such defaults were to occur, or if European financial restructuring efforts create their own instability, current instability in the global credit markets may increase. Continued financial instability in Europe could adversely affect our European operations and, in turn, could have a material adverse effect on us.

We have foreign currency exposures relating to buying, selling and financing in currencies other than the U.S. dollar, our functional currency.

We have foreign currency exposure related to foreign denominated revenues and costs, which must be translated into U.S. dollars. Fluctuations in foreign currency exchange rates (particularly the strengthening of the U.S. dollar relative to the Euro) may adversely affect our reported earnings and the comparability of period-to-period results of operations. In addition, while certain currencies (notably the Hong Kong dollar and Chinese Renminbi) are currently managed in value in relation to the U.S. dollar by foreign central banks or governmental entities, such conditions may change, thereby exposing us to various risks as a result.

Certain of our foreign operations purchase products from suppliers denominated in U.S. dollars and Euros, which may expose such operations to increases in cost of goods sold (thereby lowering profit margins) as a result of foreign currency fluctuations. Our exposures are primarily concentrated in the Euro. Changes in currency exchange rates may also affect the relative prices at which we and our foreign competitors purchase and sell products in the same market and the cost of certain items required in our operations. In addition, certain of our foreign operations have receivables or payables denominated in currencies other than their functional currencies, which exposes such operations to foreign exchange losses as a result of foreign currency fluctuations. Such fluctuations in foreign currency exchange rates could have an adverse effect on our business, results of operations and financial condition. We are not currently engaged in any hedging activities to protect against currency risks. If there is downward pressure on the value of the dollar, our purchase prices for our products could increase. We may not be able to offset an increase in product costs with a price increase to our customers.

We are subject to risks associated with international operations.

Our ability to capitalize on the potential of our international operations, including to realize the benefits of our Donna Karan and Vilebrequin businesses and successfully expand into international markets, is subject to risks associated with international operations. These include:

- the burdens of complying with a variety of foreign laws and regulations, including trade and labor restrictions;
- compliance with United States and other country laws relating to foreign operations, including the Foreign Corrupt Practices Act, which prohibits U.S. companies from making improper payments to foreign officials for the purpose of obtaining or retaining business;
- unexpected changes in regulatory requirements; and
- new tariffs or other barriers in international markets.

We are also subject to general political and economic risks in connection with our international operations, including:

- political instability and terrorist attacks;
- changes in diplomatic and trade relationships; and
- general and economic fluctuations in specific countries or markets.

Changes in regulatory, geopolitical, social or economic policies and other factors may have a material adverse effect on our international business in the future or may require us to exit a particular market or significantly modify our current business practices.

If we do not successfully upgrade, maintain and secure our information systems to support the needs of our organization, this could have an adverse impact on the operation of our business.

We rely heavily on information systems to manage operations, including a full range of financial, sourcing, retail and merchandising systems, and regularly make investments to upgrade, enhance or replace these systems. The reliability and capacity of our information systems is critical. Despite our preventative efforts, our systems are vulnerable from time to time to damage or interruption from, among other things, security breaches, computer viruses, power outages and other technical malfunctions. Any disruptions affecting our information systems, or any delays or difficulties in transitioning to new systems or in integrating them with current systems, could have a material adverse impact on the operation of our business. In addition, our ability to continue to operate our business without significant interruption in the event of a disaster or other disruption depends in part on the ability of our information systems to operate in accordance with our disaster recovery and business continuity plans.

A data security or privacy breach could adversely affect our business.

The protection of customer, employee and company data is critical to us. Customers have a high expectation that we will adequately protect their personal information from cyberattack or other security breaches. A significant breach of customer, employee, or company data could damage our reputation and

result in lost sales, fines, or lawsuits. Our business involves the receipt and storage of personal information about customers and employees. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breaches due to employee error, malfeasance or other disruptions. Any such breach or attack could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Because the methods used to obtain unauthorized access change frequently and may not be immediately detected, we may be unable to anticipate these methods or promptly implement preventative measures. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, disrupt our operations and the services we provide to customers and damage our reputation, which could adversely affect our business, revenues and competitive position. In addition to taking the necessary precautions ourselves, we require that third-party service providers implement reasonable security measures to protect our customers' identity and privacy. We do not, however, control these third-party service providers and cannot guarantee that no electronic or physical computer break-ins and security breaches will occur in the future.

Our use and handling of personally identifiable data is regulated at the international, federal and state levels. The regulatory environment surrounding information security and privacy is increasingly demanding. Privacy and information security laws and regulations change from time to time, and compliance with them may result in cost increases due to necessary systems changes and the development of new processes. If we fail to comply with these laws and regulations, we could be subjected to legal risk. We are also contractually obligated to comply with certain industry standards regarding payment card information. Increasing costs associated with information security, such as increased investment in technology, the cost of compliance and costs resulting from consumer fraud could cause our business and results of operations to suffer materially.

Risk Factors Relating to the Economy and the Apparel Industry

Recent and future economic conditions, including volatility in the financial and credit markets, may adversely affect our business.

Economic conditions have affected, and in the future may adversely affect, the apparel industry and our major customers. Economic conditions have, at times, led to a reduction in overall consumer spending, which could have an adverse impact on sales of our products. A disruption in the ability of our significant customers to access liquidity could cause serious disruptions or an overall deterioration of their businesses which could lead to a significant reduction in their orders of our products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our results of operations and liquidity. A significant adverse change in a customer's financial and/or credit position could also require us to sell fewer products to that customer or to assume greater credit risk relating to that customer's receivables or could limit our ability to collect receivables related to previous purchases by that customer. As a result, our reserves for doubtful accounts and write-offs of accounts receivable may increase.

Our ability to continue to have the necessary liquidity to operate our business may be adversely impacted by a number of factors, including uncertain conditions in the credit and financial markets which could limit the availability and increase the cost of financing. A deterioration of our results of operations and cash flow resulting from decreases in consumer spending, could, among other things, impact our ability to comply with financial covenants in our existing credit facility.

Our historical sources of liquidity to fund ongoing cash requirements include cash flows from operations, cash and cash equivalents, borrowings through our revolving credit facility and equity offerings. The sufficiency and availability of credit may be adversely affected by a variety of factors, including, without limitation, the tightening of the credit markets, including lending by financial institutions who are sources of credit for our borrowing and liquidity; an increase in the cost of capital; the reduced availability of credit; our ability to execute our strategy; the level of our cash flows, which will be impacted by retailer and consumer acceptance of our products and the level of consumer discretionary spending; maintenance of financial covenants included in our revolving credit facility; and interest rate fluctuations. We cannot

predict the effect of the expected increase in interest rates on the availability or aggregate cost of borrowing. We cannot be certain that any additional required financing, whether debt or equity, will be available in amounts needed or on terms acceptable to us, if at all.

As of January 31, 2017, we were in compliance with the financial covenants in our revolving credit facility. Compliance with these financial covenants is dependent on the results of our operations, which are subject to a number of factors including current economic conditions. The economic environment has at times resulted in lower consumer confidence and lower retail sales. Adverse developments in the economy could lead to reduced consumer spending which could adversely impact our net sales and cash flow, which could affect our compliance with our financial covenants. A violation of our covenants could limit access to our credit facilities. Should such restrictions on our credit facilities and these factors occur, they could have a material adverse effect on our business and results of operations.

The cyclical nature of the apparel industry and uncertainty over future economic prospects and consumer spending could have a material adverse effect on our results of operations.

The apparel industry is cyclical. Purchases of outerwear, sportswear, swimwear, footwear and other apparel and accessories tend to decline during recessionary periods and may decline for a variety of other reasons, including changes in fashion trends and the introduction of new products or pricing changes by our competitors. Uncertainties regarding future economic prospects may affect consumer-spending habits and could have an adverse effect on our results of operations. Uncertainty with respect to consumer spending as a result of weak economic conditions has, at times, caused our customers to delay the placing of initial orders and to slow the pace of reorders during the seasonal peak of our business. Weak economic conditions have had a material adverse effect on our results of operations at times in the past and could have a material adverse effect on our results of operations in the future as well.

The competitive nature of our industry may result in lower prices for our products and decreased gross profit margins.

The apparel business is highly competitive. We have numerous competitors with respect to the sale of apparel, footwear and accessories, including e-commerce websites, distributors that import products from abroad and domestic retailers with established foreign manufacturing capabilities. Many of our competitors have greater financial and marketing resources and greater manufacturing capacity than we do. The general availability of contract manufacturing capacity also allows ease of access by new market entrants. The competitive nature of the apparel industry may result in lower prices for our products and decreased gross profit margins, either of which may materially adversely affect our sales and profitability. Sales of our products are affected by a number of competitive factors including style, price, quality, brand recognition and reputation, product appeal and general fashion trends.

If major department, mass merchant and specialty store chains consolidate, close stores or cease to do business, our business could be negatively affected.

We sell our products to major department, mass merchant and specialty store chains. Continued consolidation in the retail industry, as well as store closing or retailers ceasing to do business, could negatively impact our business. Macy's, JC Penney and Kohl's, as well as other store chains, have announced their intention to close stores. Store closings could adversely affect our business and results of operations. Consolidation could reduce the number of our customers and potential customers. With increased consolidation in the retail industry, we are increasingly dependent on retailers whose bargaining strength may increase and whose share of our business may grow. As a result, we may face greater pressure from these customers to provide more favorable terms, including increased support of their retail margins. As purchasing decisions become more centralized, the risks from consolidation increase. A store group could decide to close stores, decrease the amount of product purchased from us, modify the amount of floor space allocated to outerwear or other apparel in general or to our products specifically or focus on promoting private label products or national brand products for which it has exclusive rights rather than promoting our products. Customers are also concentrating purchases among a narrowing group of vendors. These types of decisions by our key customers could adversely affect our business.

If new legislation restricting the importation or increasing the cost of textiles and apparel produced abroad is enacted, our business could be adversely affected.

Legislation that would restrict the importation or increase the cost of textiles and apparel produced abroad has been periodically introduced in Congress. The enactment of new legislation or international trade regulation, or executive action affecting international textile or trade agreements, could adversely affect our business. International trade agreements that can provide for tariffs and/or quotas can increase the cost and limit the amount of product that can be imported.

We cannot predict whether quotas, duties, taxes, or other similar restrictions will be imposed by the U.S., the European Union, Asia, or other countries upon the import or export of our products in the future, or what effect any of these actions would have, if any, on our business, results of operations, and financial condition. Changes in regulatory, geopolitical, social, economic, or monetary policies and other factors may have a material adverse effect on our business in the future, or may require us to exit a particular market or significantly modify our current business practices.

The new U.S. presidential administration has threatened to impose retaliatory duties against China in order to reverse what it perceives as unfair trade practices that have negatively impacted manufacturing in the U.S. The new administration has also discussed the implementation of a "border adjusted tax" that would impose an additional tax on imported goods regardless of origin. The new administration has indicated it may make modifications to international trade policy or agreements or engage in other restrictive trade practices that may have the effect of reducing the amount or increasing the cost of imported goods. Adoption of these types of measure by the U.S. or other governments could have a material adverse effect on our results of operations.

China's accession agreement for membership in the World Trade Organization provides that member countries, including the United States, may impose safeguard quotas on specific products. We are unable to assess the potential for future action by the United States government with respect to any product category in the event that the quantity of imported apparel significantly disrupts the apparel market in the United States. Future action by the United States in response to a disruption in its apparel markets could limit our ability to import apparel and increase our costs.

The effects of war, acts of terrorism or natural disasters could adversely affect our business and results of operations.

The continued threat of terrorism, heightened security measures and military action in response to acts of terrorism or civil unrest has, at times, disrupted commerce and intensified concerns regarding the United States and world economies. Any further acts of terrorism or new or extended hostilities may disrupt commerce and undermine consumer confidence, which could negatively impact our sales and results of operations. Similarly, the occurrence of one or more natural disasters, such as hurricanes, fires, floods or earthquakes could result in the closure of one or more of our distribution centers, our corporate headquarters or a significant number of stores or impact one or more of our key suppliers. In addition, these types of events could result in increases in energy prices or a fuel shortage, the temporary or long-term disruption in the supply of product, disruption in the transport of product from overseas, delay in the delivery of product to our factories, our customers or our stores and disruption in our information and communication systems. Accordingly, these types of events could have a material adverse effect on our business and our results of operations.

Other Risks Relating to Ownership of Our Common Stock

Our Chairman and Chief Executive Officer may be in a position to control matters requiring a stockholder vote.

As of March 1, 2017, Morris Goldfarb, our Chairman and Chief Executive Officer, beneficially owned approximately 8.8% of our common stock. His significant role in our management and his reputation in the apparel industry could make his support crucial to the approval of any major transaction involving us. As a result, he may have the ability to control the outcome on matters requiring stockholder approval including, but not limited to, the election of directors and any merger, consolidation or sale of all or substantially all of our assets. He also may have the ability to control our management and affairs.

The price of our common stock has fluctuated significantly and could continue to fluctuate significantly.

Between February 1, 2014 and March 31, 2017, the market price of our common stock has ranged from a low of $19.10 to a high of $73.93 per share. The market price of our common stock may change significantly in response to various factors and events beyond our control, including:

- fluctuations in our quarterly revenues or those of our competitors as a result of seasonality or other factors;
- a shortfall in revenues or net income from that expected by securities analysts and investors;
- changes in securities analysts' estimates of our financial performance or the financial performance of our competitors or companies in our industry generally;
- announcements concerning our competitors;
- changes in product pricing policies by our competitors or our customers;
- general conditions in our industry; and
- general conditions in the securities markets.

Our actual financial results might vary from our publicly disclosed financial forecasts.

From time to time, we publicly disclose financial forecasts. Our forecasts reflect numerous assumptions concerning our expected performance, as well as other factors that are beyond our control and that might not turn out to be correct. As a result, variations from our forecasts could be material. Our financial results are subject to numerous risks and uncertainties, including those identified throughout this "Risk Factors" section and elsewhere in this Annual Report and in the documents incorporated by reference in this Annual Report. If our actual financial results are worse than our financial forecasts, as occurred in fiscal 2017, the price of our common stock may decline.

If our goodwill, trademarks and other intangibles become impaired, we may be required to record charges to earnings.

As of January 31, 2017, we had goodwill, trademarks and other intangibles in an aggregate amount of $753.2 million, or approximately 41% of our total assets and approximately 74% of our stockholders' equity. Approximately $630.6 million of our goodwill, trademarks and other intangibles was recorded in connection with our acquisition of Donna Karan. Under accounting principles generally accepted in the United States, we review our goodwill and other indefinite life intangibles for impairment annually during the fourth quarter of each fiscal year and when events or changes in circumstances indicate the carrying value may not be recoverable due to factors such as reduced estimates of future cash flows and profitability, increased cost of debt, slower growth rates in our industry or a decline in our stock price and market capitalization. Estimates of future cash flows and profitability are based on an updated long-term financial outlook of our operations. However, actual performance in the near-term or long-term could be materially different from these forecasts, which could impact future estimates. A significant decline in our market capitalization or deterioration in our projected results could result in an impairment of our goodwill, trademarks and/or other intangibles. We may be required to record a significant charge to earnings in our financial statements during a period in which an impairment of our goodwill is determined to exist which would negatively impact our results of operations and could negatively impact our stock price.

We are subject to significant corporate regulation as a public company and failure to comply with all applicable regulations could subject us to liability or negatively affect our stock price.

As a publicly traded company, we are subject to a significant body of regulation, including the reporting requirements of the Exchange Act, the listing requirements of the NASDAQ Global Select Market, the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

The internal control over financial reporting required by Section 404 of the Sarbanes-Oxley Act may not prevent or detect misstatements because of certain of its limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. As a result, even effective internal controls may not provide reasonable assurances with respect to the preparation and presentation of financial statements. We cannot provide assurance that, in the future, our management will not find a material weakness in connection with its annual review of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. We also cannot provide assurance that we could correct any such weakness to allow our management to assess the effectiveness of our internal control over financial reporting as of the end of our fiscal year in time to enable our independent registered public accounting firm to state that such assessment will have been fairly stated in our Annual Report on Form 10-K or state that we have maintained effective internal control over financial reporting as of the end of our fiscal year. Discovery and disclosure of a material weakness in our internal control over financial reporting could have a material impact on our financial statements and could cause our stock price to decline.

There are significant corporate governance and executive compensation-related provisions in the Dodd-Frank Act that have required, and continue to require, the SEC to adopt additional rules and regulations in these areas. Our efforts to comply with Dodd-Frank requirements have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management's time from other business activities. For example, we are subject to SEC disclosure obligations relating to our use of so-called "conflict minerals" such as columbite-tantalite, cassiterite (tin), wolframite (tungsten) and gold. These minerals are present in a number of our products.

We have incurred and will continue to incur costs associated with complying with the supply chain due diligence procedures required by the SEC. The preparation of our conflict minerals report is dependent upon the implementation and operation of our systems and processes and information supplied by our suppliers of products that contain, or potentially contain, conflict minerals. To the extent that the information that we receive from our suppliers is inaccurate or inadequate or our processes in obtaining that information do not fulfill the SEC's requirements, we could face both reputational and SEC enforcement risks.

Given the uncertainty associated with the manner in which additional corporate governance and executive compensation-related provisions of the Dodd-Frank Act will be implemented, the full extent of the impact such requirements will have on our operations is unclear. The changes resulting from the Dodd-Frank Act may require changes to certain business practices, or otherwise adversely affect our business.

While we have developed and instituted corporate compliance programs and continue to update our programs in response to newly implemented or changing regulatory requirements, we cannot provide assurance that we are or will be in compliance with all potentially applicable corporate regulations. If we fail to comply with any of these regulations, we could be subject to a range of regulatory actions, fines or other sanctions or litigation.

ITEM 1B. ***UNRESOLVED STAFF COMMENTS.***

None.

ITEM 2. ***PROPERTIES.***

Our executive offices, sales showrooms and support staff are located at 512 Seventh Avenue in New York City. Our leases at 512 Seventh Avenue expire on March 31, 2023 for almost all of our space in this building, with a five-year renewal option. We currently lease approximately 220,000 square feet of office and showroom space in this building. Our rent for our space at 512 Seventh Avenue is expected to be approximately $9.7 million in fiscal 2018.

We have a lease for a distribution center in Dayton, New Jersey through January 2025. This facility contains approximately 305,000 square feet of space which is used by us for product distribution. The aggregate annual rent for this facility is approximately $1.2 million for fiscal 2018.

We have a lease for a distribution center in Jamesburg, New Jersey, through December 31, 2020 with a five year renewal option. The distribution center consists of approximately 583,000 square feet which we utilize for the warehousing and distribution of our products. The aggregate annual rent for this facility is approximately $2.2 million for fiscal 2018.

In connection with our Wilsons and G.H. Bass retail operations, we have a lease in Brooklyn Park, Minnesota for an office, warehouse and distribution facility of approximately 403,000 square feet through April 2022. The aggregate annual rent for this facility is approximately $1.3 million for fiscal 2018.

We have a lease for a distribution center in Carlstadt, New Jersey, through April 30, 2024 with a 10 year renewal option through April 30, 2034. This lease was transferred to us as part of the DKI acquisition. The distribution center consists of approximately 197,000 square feet which we utilize for the warehousing and distribution of our products & office space. The aggregate annual rent for this facility is approximately $1.6 million for fiscal 2018.

As part of the DKI acquisition, the lease for office and showroom space located 240 West 40th Street in New York City was also transferred to us. We currently lease approximately 144,000 square feet in this building. The lease expires in July 2020, with a one-time 10 year renewal option. The aggregate annual rent for this facility is approximately $7.3 million for fiscal 2018.

Retail Stores

As of January 31, 2017, we operated 499 leased store locations, of which 190 are Wilsons Leather retail stores, 163 are G.H. Bass retail stores, 88 are Vilebrequin retail stores, 50 are DKNY stores, 5 are Calvin Klein Performance retail stores and 3 are Karl Lagerfeld Paris stores.

Most leases for retail stores in the United States require us to pay annual minimum rent plus a contingent rent dependent on the store's annual sales in excess of a specified threshold. In addition, the leases generally require us to pay costs such as real estate taxes and common area maintenance costs. Retail store leases are typically between 3 and 10 years in duration.

Our leases expire at varying dates through 2027. During fiscal 2017, we entered into 23 new store leases, renewed 56 store leases and terminated or allowed to expire 40 store leases. We also added leases for 50 DKNY stores as a result of our acquisition of Donna Karan. Almost all of our stores, other than certain Vilebrequin and DKNY stores, are located in the United States. Vilebrequin has 51 stores located in Europe, 25 stores located in the United States and 6 stores located in Asia. DKNY has 42 stores located in the United States, 4 stores located in Canada and 4 stores located in Europe.

The following table indicates the periods during which our retail leases expire.

Fiscal Year Ending January 31,	Number of Stores
2018	112
2019	54
2020	38
2021	49
2022 and thereafter	246
Total	499

ITEM 3. ***LEGAL PROCEEDINGS.***

In the ordinary course of our business, we are subject to periodic claims, investigations and lawsuits. Although we cannot predict with certainty the ultimate resolution of claims, investigations and lawsuits, asserted against us, we do not believe that any currently pending legal proceeding or proceedings to which we are a party will have a material adverse effect on our business, financial condition or results of operations.

ITEM 4. ***MINE SAFETY DISCLOSURES.***

Not applicable.

PART II

ITEM 5. *MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER REPURCHASES OF EQUITY SECURITIES.*

Market For Common Stock

Our Common Stock is quoted on the NASDAQ Global Select Market under the trading symbol "GIII". The following table sets forth, for the fiscal periods shown, the high and low sales prices for our Common Stock, as reported by NASDAQ. Share prices have been retroactively adjusted to reflect our two-for-one stock split effected on May 1, 2015.

	High Prices	Low Prices
Fiscal 2016		
Fiscal Quarter ended April 30, 2015	$ 60.16	$ 47.66
Fiscal Quarter ended July 31, 2015	$ 73.93	$ 54.75
Fiscal Quarter ended October 31, 2015	$ 73.00	$ 52.13
Fiscal Quarter ended January 31, 2016	$ 56.25	$ 39.50
Fiscal 2017		
Fiscal Quarter ended April 30, 2016	$ 55.89	$ 41.14
Fiscal Quarter ended July 31, 2016	$ 51.81	$ 36.14
Fiscal Quarter ended October 31, 2016	$ 44.85	$ 25.73
Fiscal Quarter ended January 31, 2017	$ 32.98	$ 24.41
Fiscal 2018		
Fiscal Quarter ending April 30, 2017 (through March 31, 2017)	$ 27.48	$ 19.10

The last sales price of our Common Stock as reported by the NASDAQ Global Select Market on March 31, 2017 was $21.89 per share.

On March 31, 2017, there were 28 holders of record and, we believe, approximately 20,000 beneficial owners of our Common Stock.

Dividend Policy

Our Board of Directors currently intends to follow a policy of retaining any earnings to finance the growth and development of our business and does not anticipate paying cash dividends in the foreseeable future. Any future determination as to the payment of cash dividends will be dependent upon our financial condition, results of operations and other factors deemed relevant by the Board. Payments for cash dividends and the repurchase of our shares may be made subject to compliance with certain covenants contained in our revolving credit facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" in Item 7 below and Note E to our Consolidated Financial Statements.

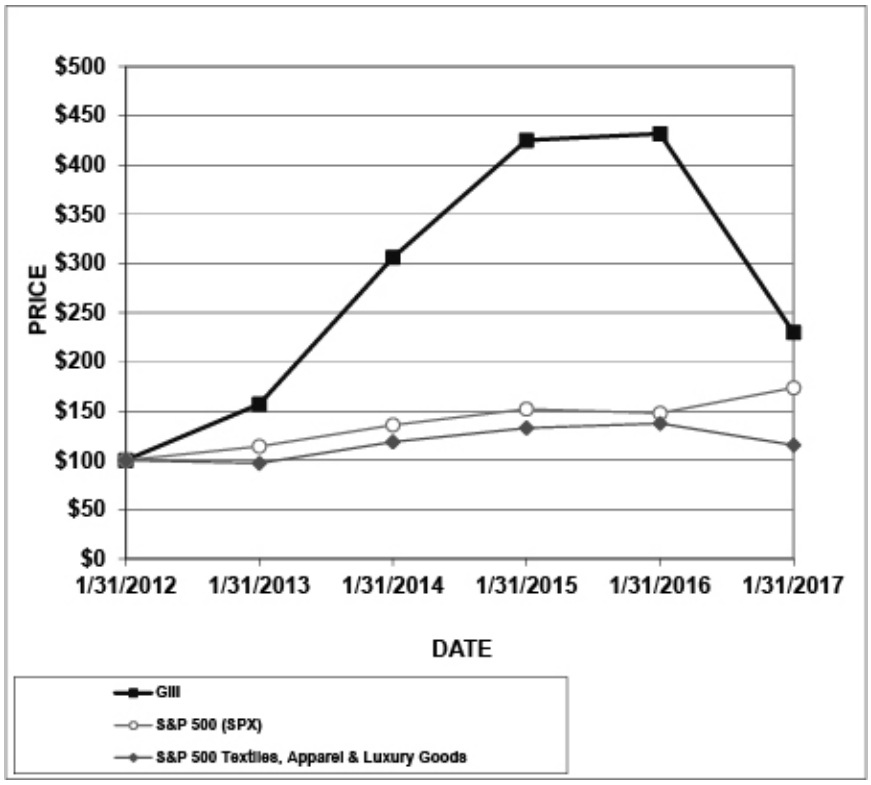
Performance Graph

The following Performance Graph and related information shall not be deemed to be "soliciting material" or "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent that we specifically request that it be treated as soliciting material or incorporate it by reference into such filing.

The Securities and Exchange Commission requires us to present a chart comparing the cumulative total stockholder return on our Common Stock with the cumulative total stockholder return of (i) a broad equity market index and (ii) a published industry index or peer group. This chart compares the Common

Stock with (i) the S&P 500 Composite Index and (ii) the S&P 500 Textiles, Apparel and Luxury Goods Index, and assumes an investment of $100 on January 31, 2012 in each of the Common Stock, the stocks comprising the S&P 500 Composite Index and the stocks comprising the S&P 500 Textiles, Apparel and Luxury Goods Index.

G-III Apparel Group, Ltd.
Comparison of Cumulative Total Return
(January 31, 2012 — January 31, 2017)



ITEM 6. ***SELECTED FINANCIAL DATA.***

The selected consolidated financial data set forth below as of and for the years ended January 31, 2013, 2014, 2015, 2016 and 2017, have been derived from our audited consolidated financial statements. Our audited consolidated balance sheets as of January 31, 2013, 2014 and 2015, and our audited consolidated statements of income for the years ended January 31, 2013 and 2014 are not included in this filing. The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" (Item 7 of this Report) and the audited consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K.

The operating results of G.H. Bass have been included in our financial statements since November 4, 2013, the date of acquisition.

The operating results of Vilebrequin have been included in our financial statements since August 7, 2012 and the operating results of Karl Lagerfeld North America BV ("KLNA"), which is 49% owned by us, since June 8, 2015, the dates of acquisition. We account for the investments in Kingdom Holdings 1B.V. ("KH1"), which is 19% owned by us, and KLNA using the equity method of accounting. Vilebrequin, KLNA and KH1 report results on a calendar year basis rather than on the January 31 fiscal year basis used by G-III. Accordingly, the results of Vilebrequin, KLNA and KH1 are and will be included in our financial statements for the year ended or ending closest to G-III's fiscal year. For example, for G-III's fiscal year ended January 31, 2017, Vilebrequin's, KLNA's and KH1's results are included for the year ended December 31, 2016.

The operating results of Donna Karan International Inc. have been included in our financial statements since December 1, 2016, the date of acquisition.

All share and per share data in this Annual Report on Form 10-K have been retroactively adjusted to reflect our two-for-one stock split effected on May 1, 2015.

	Consolidated Income Statement Data Year Ended January 31				
	2017	2016	2015	2014	2013
	(in thousands, except per share data)				
Net sales	$2,386,435	$2,344,142	$2,116,855	$1,718,231	$1,399,719
Cost of goods sold	1,545,574	1,505,504	1,359,596	1,133,222	948,392
Gross profit	840,861	838,638	757,259	585,009	451,327
Selling, general and administrative expenses	704,436	628,762	571,990	440,506	341,242
Depreciation and amortization	32,481	25,392	20,374	13,676	9,907
Asset impairment	10,480	—	—	—	—
Operating profit	93,464	184,484	164,895	130,827	100,178
Other income (expense)	(27)	1,340	11,488	—	(719)
Interest and financing charges, net	(15,675)	(6,691)	(7,942)	(8,599)	(7,454)
Income before income taxes	77,762	179,133	168,441	122,228	92,005
Income tax expense	25,824	64,800	59,450	45,826	35,436
Net income	51,938	114,333	108,991	76,402	56,569
Add: Loss attributable to noncontrolling interest	—	—	1,370	958	306
Net income attributable to G-III	$ 51,938	$ 114,333	$ 110,361	$ 77,360	$ 56,875
Basic earnings per share	$ 1.12	$ 2.52	$ 2.55	$ 1.90	$ 1.42
Weighted average shares outstanding – basic	46,308	45,328	43,298	40,646	40,012
Diluted earnings per share	$ 1.10	$ 2.46	$ 2.48	$ 1.85	$ 1.40
Weighted average shares outstanding – diluted	47,394	46,512	44,424	41,728	40,560

	Consolidated Balance Sheet Data As of January 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
Working capital	$ 567,519	$ 657,636	$ 557,703	$344,964	$283,369
Total assets	1,851,944	1,184,070	1,043,761	830,897	717,772
Short-term debt	—	—	—	48,843	65,000
Long-term debt	461,756	—	—	20,560	19,778
Total stockholders' equity	1,021,236	888,128	761,258	521,996	429,240

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

Unless the context otherwise requires, "G-III", "us", "we" and "our" refer to G-III Apparel Group, Ltd. and its subsidiaries. References to fiscal years refer to the year ended or ending on January 31 of that year. For example, our fiscal year ended January 31, 2017 is referred to as "fiscal 2017."

The following presentation of management's discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our financial statements, the accompanying notes and other financial information appearing elsewhere in this Report.

Acquisition of Donna Karan International Inc.

In December 2016, we acquired all of the outstanding capital stock of Donna Karan International Inc. ("DKI") from LVMH Moet Hennessy Louis Vuitton Inc. ("LVMH") for a total purchase price of approximately $669.8 million, after taking into account certain adjustments. We believe that Donna Karan owns some of the world's most iconic and recognizable power brands, including DKNY, Donna Karan and DKNY Jeans. The acquisition of Donna Karan fits squarely into our strategy to diversify and expand our business. We intend to focus on the expansion of the DKNY brand, while also re-establishing DKNY Jeans, Donna Karan and other associated brands. We believe that we can also capitalize on significant, untapped global licensing potential in a number of men's categories, as well as in home and jewelry. We believe that our strong track record of driving organic growth, identifying and integrating acquisitions and developing talent throughout the organization makes the potential of the DKNY and Donna Karan brands especially appealing.

Overview

G-III designs, manufactures and markets an extensive range of apparel, including outerwear, dresses, sportswear, swimwear, women's suits and women's performance wear, as well as women's handbags, footwear, small leather goods, cold weather accessories and luggage. We sell our products under our own proprietary brands, which include DKNY, Donna Karan, Vilebrequin, G.H. Bass, Weejuns Andrew Marc, Marc New York, Eliza J and Jessica Howard, as well as under licensed brands and private retail labels.

While our products are sold at a variety of price points through a broad mix of retail partners and our own stores, a majority of our sales are concentrated with our ten largest customers. Sales to our ten largest customers comprised 58.4% of our net sales in 2015, 63.5% of our net sales in fiscal 2016 and 64.1% of our net sales in fiscal 2017.

We operate in fashion markets that are intensely competitive. Our ability to continuously evaluate and respond to changing consumer demands and tastes, across multiple market segments, distribution channels and geographic areas is critical to our success. Although our portfolio of brands is aimed at diversifying our risks in this regard, misjudging shifts in consumer preferences could have a negative effect on our business. Our success in the future will depend on our ability to design products that are accepted in the marketplace, source the manufacture of our products on a competitive basis, and continue to diversify our product portfolio and the markets we serve.

Segments

Starting with the first quarter of fiscal 2016, we began reporting based on two segments: wholesale operations and retail operations. The wholesale operations segment consists of our former licensed products and non-licensed products segments and includes sales of products under brands licensed by us from third parties, as well as sales of products under our own brands and private label brands. Wholesale sales and revenues from license agreements related to the Donna Karan business are included in the wholesale operations segment. The retail operations segment consists of our Wilsons Leather, G.H. Bass and DKNY stores, as well as a limited number of Calvin Klein Performance stores. See Note K to our Consolidated Financial Statements for financial information with respect to these segments.

Recent Acquisitions

We have expanded our portfolio of proprietary and licensed brands through acquisitions and by entering into license agreements for new brands or for additional products under previously licensed brands.

Our acquisitions have helped to broaden our product offerings, expand our ability to serve different tiers of distribution and add a retail component to our business. Acquisitions are part of our strategy to expand our product offerings and increase the portfolio of proprietary and licensed brands that we offer through different tiers of retail distribution.

As noted above, in December 2016, we acquired the Donna Karan business, including its DKNY, Donna Karan and related brands. We intend to focus on the expansion of the DKNY brand, while also re-establishing DKNY Jeans, Donna Karan and other associated brands. We believe that we can also capitalize on significant, untapped global licensing potential in a number of men's categories, as well as in home and jewelry. In March 2017, we entered into an agreement with Macy's under which Macy's will serve, beginning February 2018, as the exclusive U.S. department store for sales of DKNY women's apparel and accessories. The agreement also plans for increased and enhanced DKNY shop-in-shops in many Macy's stores. G-III and Macy's are committed to making DKNY the premier fashion and lifestyle brand. We also intend to re-launch Donna Karan as an aspirational luxury brand that will be priced above DKNY and targeted at stores such as Bloomingdale's, Dillard's, Lord & Taylor, The Bay, Saks Fifth Avenue and Nordstrom.

The acquisition of Donna Karan negatively impacted our results of operations in fiscal 2017 and is also expected to negatively impact our results of operations in fiscal 2018, primarily in the first six months on the year.

In February 2016, we expanded our partnership with respect to the Karl Lagerfeld brand through the acquisition of an approximately 19% minority interest in the parent company of the group that holds the worldwide rights to the Karl Lagerfeld brand. In June 2015, we entered into a joint venture agreement with Karl Lagerfeld Group BV pursuant to which we acquired a 49% ownership interest in KLNA, an entity that holds brand rights to Karl Lagerfeld trademarks for all consumer products (except eyewear, fragrance, cosmetics, watches, jewelry, and hospitality services) and apparel in the United States, Canada and Mexico. G-III is also the first licensee of the joint venture and has been granted a five year license (with two renewals of five years each) for women's apparel, women's handbags, and men's outerwear. We began shipping Karl Lagerfeld sportswear, dresses, women's outerwear and handbags in the third quarter of fiscal 2016, Karl Lagerfeld women's footwear in the first quarter of fiscal 2017 and Karl Lagerfeld women's suits in the third quarter of fiscal 2017.

Licensed Products

The sale of licensed products is a key element of our business strategy and we have continually expanded our offerings of licensed products for more than 20 years. Sales of licensed products accounted for 60.7% of our net sales in fiscal 2017, 59.2% of our net sales in fiscal 2016 and 57.6% of our net sales in fiscal 2015.

Our most significant licensor is Calvin Klein with whom we have ten different license agreements. We have also entered into distribution agreements with respect to Calvin Klein luggage in a limited number of countries in Asia, Europe and North America.

In July 2016, we signed a three-year extension through March 2020 of our license agreement with the National Football League. This agreement includes men's and women's outerwear, Starter men's and women's outerwear, men's and women's lifestyle apparel, Hands High men's and women's lifestyle apparel, and Touch by Alyssa Milano women's lifestyle apparel.

In February 2016, we expanded our relationship with Tommy Hilfiger through a new license agreement for Tommy Hilfiger womenswear in the United States and Canada. This license for women's sportswear, suit separates, performance and denim is in addition to our other Tommy Hilfiger licenses for dresses, men's and women's outerwear and luggage. The new license agreement has an initial term of five years and a renewal term of four years. Macy's will continue to be the principal retailer of Tommy Hilfiger in the United States and women's sportswear will continue to be a Macy's exclusive offering. We believe Tommy Hilfiger is a classic American lifestyle brand. We intend to leverage our market expertise to help build sales of Tommy Hilfiger women's apparel. We sell Tommy Hilfiger dresses, women's suit separates, women's performance wear, jeans and luggage. Women's performance wear and women's suits began shipping during the third quarter of fiscal 2017.

In October 2015, we announced the launch of Hands High, a new licensed sports apparel line inspired by Tonight Show host, Jimmy Fallon. Hands High features professional team logos from the NFL, NBA, MLB and NHL. Hands High product was launched in October 2015 at retailers throughout the country, as well as at official team and stadium shops and official league websites. We started to ship Hands High products to over 40 universities in July 2016.

We believe that consumers prefer to buy brands they know and we have continually sought licenses that would increase the portfolio of name brands we can offer through different tiers of retail distribution, for a wide array of products and at a variety of price points. We believe that brand owners will look to consolidate the number of licensees they engage to develop product and they will seek licensees with a successful track record of expanding brands into new categories. It is our objective to continue to expand our product offerings and we are continually discussing new licensing opportunities with brand owners.

Retail Operations

Our retail operations segment consists primarily of our Wilsons Leather, G.H. Bass and DKNY retail stores, substantially all of which are operated as outlet stores. As of January 31, 2017, we operated 190 Wilsons Leather stores, 163 G.H. Bass stores, 50 DKNY stores, 5 Calvin Klein Performance stores and 3 Karl Lagerfeld Paris stores. We also operate online stores for Wilsons Leather, G.H. Bass and DKNY. We expect aggregate store count for Wilsons, G.H. Bass and DKNY to decline during fiscal 2018 as we are currently seeking to rationalize our retail store operations and concentrate our efforts on our most profitable locations.

Trends

Significant trends that affect the apparel industry include retail chains closing unprofitable stores, an increased focus by retail chains on expanding their e-commerce, the continued consolidation of retail chains and the desire on the part of retailers to consolidate vendors supplying them.

Retailers are seeking to expand the differentiation of their offerings by devoting more resources to the development of exclusive products, whether by focusing on their own private label products or on products produced exclusively for a retailer by a national brand manufacturer. Retailers are placing more emphasis on building strong images for their private label and exclusive merchandise. Exclusive brands are only made available to a specific retailer, and thus customers loyal to their brands can only find them in the stores of that retailer.

A number of retailers are experiencing financial difficulties, which in some cases has resulted in bankruptcies, liquidations and/or store closings. The financial difficulties of a retail customer of ours could result in reduced business with that customer. We may also assume higher credit risk relating to receivables of a retail customer experiencing financial difficulty that could result in higher reserves for doubtful accounts or increased write-offs of accounts receivable. We attempt to mitigate credit risk from our customers by closely monitoring accounts receivable balances and shipping levels, as well as the ongoing financial performance and credit standing of customers.

Sales of apparel over the Internet continue to increase. We are addressing the increase in online shopping by developing additional marketing initiatives over the Internet, our web sites and social media.

We have attempted to respond to trends in our industry by continuing to focus on selling products with recognized brand equity, by attention to design, quality and value and by improving our sourcing capabilities. We have also responded with the strategic acquisitions made by us and new license agreements entered into by us that added to our portfolio of licensed and proprietary brands and helped diversify our business by adding new product lines, expanding distribution channels and developing the retail component of our business. We believe that our broad distribution capabilities help us to respond to the various shifts by consumers between distribution channels and that our operational capabilities will enable us to continue to be a vendor of choice for our retail partners.

Use of Estimates and Critical Accounting Policies

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 at the date of the financial statements and revenues and expenses during the reporting period. Significant accounting policies employed by us, including the use of estimates, are presented in the notes to our consolidated financial statements.

Critical accounting policies are those that are most important to the portrayal of our financial condition and our results of operations, and require management's most difficult, subjective and complex judgments, as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our most critical accounting estimates, discussed below, pertain to revenue recognition, accounts receivable, inventories, income taxes, goodwill and intangible assets and equity awards. In determining these estimates, management must use amounts that are based upon its informed judgments and best estimates. We continually evaluate our estimates, including those related to customer allowances and discounts, product returns, bad debts and inventories, and carrying values of intangible assets. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Revenue Recognition

Goods are shipped to retailers in accordance with specific customer orders. We recognize wholesale sales when the risks and rewards of ownership have transferred to the customer, determined by us to be when title to the merchandise passes to the customer.

In addition, we act as an agent in brokering sales between customers and overseas factories. On these transactions, we also recognize commission fee income on sales that are financed by and shipped directly to our customers. Title to goods shipped by overseas vendors, transfers to customers when the goods have been delivered to the customer.

Net sales take into account reserves for returns and allowances. We estimate the amount of reserves and allowances based on current and historical information and trends. Sales are reported net of returns, discounts and allowances. Discounts, allowances and estimates of future returns are recognized when the related revenues are recognized. We recognize commission income upon the completion of the delivery by our vendors to the customer. We recognize retail sales upon customer receipt of our merchandise, generally at the point of sale. Our retail sales are recorded net of applicable sales tax.

Accounts Receivable

In the normal course of business, we extend credit to our wholesale customers based on pre-defined credit criteria. Accounts receivable, as shown on our consolidated balance sheet, are net of allowances and anticipated discounts. In circumstances where we are aware of a specific customer's inability to meet its financial obligation (such as in the case of bankruptcy filings, extensive delay in payment or substantial downgrading by credit sources), a specific reserve for bad debts is recorded against amounts due to reduce the net recognized receivable to the amount reasonably expected to be collected. For all other wholesale customers, an allowance for doubtful accounts is determined through analysis of the aging of accounts receivable at the date of the financial statements, assessments of collectability based on historical trends and an evaluation of the impact of economic conditions.

An allowance for discounts is based on reviews of open invoices where concessions have been extended to customers. Costs associated with allowable deductions for customer advertising expenses are charged to advertising expenses in the selling, general and administrative section of our consolidated statements of income. Costs associated with markdowns and other operational charge backs, net of historical recoveries, are included as a reduction of net sales. All of these are part of the allowances included in accounts receivable. We reserve against known charge backs, as well as for an estimate of potential future deductions by customers. These provisions result from seasonal negotiations with our customers as well as historical deduction trends, net of historical recoveries and the evaluation of current market conditions.

Inventories

Wholesale inventories are stated at lower of cost (determined by the first-in, first-out method) or market, which comprises a significant portion of our inventory. Retail inventories are valued at the lower of

cost or market as determined by the retail inventory method. Vilebrequin inventories are stated at the lower of cost (determined by the weighted average method) or market.

We continually evaluate the composition of our inventories, assessing slow-turning, ongoing product as well as fashion product from prior seasons. The market value of distressed inventory is based on historical sales trends of our individual product lines, the impact of market trends and economic conditions, expected permanent retail markdowns and the value of current orders for this type of inventory. A provision is recorded to reduce the cost of inventories to the estimated net realizable values, if required.

Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax expense, together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet.

Goodwill and Intangible Assets

ASC 350 requires that goodwill and intangible assets with an indefinite life be tested for impairment at least annually and are required to be written down when impaired. We perform our test in the fourth fiscal quarter of each year, or more frequently, if events or changes in circumstances indicate the carrying amount of such assets may be impaired. Goodwill and intangible assets with an indefinite life are tested for impairment by comparing the fair value of the reporting unit with its carrying value. In connection with the change in our reportable segments and according to ASC 350, we reassessed the reporting units for goodwill impairment purposes. We identified two reporting units, which are wholesale operations and retail operations. Fair value is generally determined using discounted cash flows, market multiples and market capitalization. Significant estimates used in the fair value methodologies include estimates of future cash flows, future short-term and long-term growth rates, weighted average cost of capital and estimates of market multiples of the reportable unit. If these estimates or their related assumptions change in the future, we may be required to record impairment charges for our goodwill and intangible assets with an indefinite life.

The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis. In estimating the fair value of a reporting unit for the purposes of our annual or periodic analyses, we make estimates and judgments about the future cash flows of that reporting unit. Although our cash flow forecasts are based on assumptions that are consistent with our plans and estimates we are using to manage the underlying businesses, there is significant exercise of judgment involved in determining the cash flows attributable to a reporting unit over its estimated remaining useful life. In addition, we make certain judgments about allocating shared assets to the estimated balance sheets of our reporting units. We also consider our and our competitor's market capitalization on the date we perform the analysis. Changes in judgment on these assumptions and estimates could result in a goodwill impairment charge.

We have allocated the purchase price of the companies we acquired to the tangible and intangible assets acquired and liabilities we assumed, based on their estimated fair values. These valuations require management to make significant estimations and assumptions, especially with respect to intangible assets.

The fair values assigned to the identifiable intangible assets acquired were based on assumptions and estimates made by management using unobservable inputs reflecting our own assumptions about the inputs that market participants would use in pricing the asset or liability based on the best information available.

Identifiable intangible assets recorded as a result of our acquisition of DKI in 2016 include trademarks having a net carrying value of $375.0 million with an indefinite life and customer relationships having a net carrying value of $40.0 million with an estimated useful life of 17 years. We also recorded goodwill in the amount of $220.6 million in connection with the acquisition. Goodwill was fully assigned to the Company's wholesale operations reporting unit as the wholesale operations reporting unit is expected to benefit from

the synergies of the combination and from the future growth of DKI. These synergies will be also accomplished through the integration of DKI's wholesale operations with G-III's support functions such as credit and collection, IT, finance, logistics, human resources, sourcing and overseas quality control.

In accordance with ASC 350, in the first step of our goodwill impairment review, we compared the fair value of the wholesale operations reporting unit and the retail operations reporting unit to their respective carrying values. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and no further testing is required. On January 31, 2017, we noted that both the fair value of the wholesale operations reporting unit and the fair value of the retail operations reporting unit significantly exceeded their respective carrying values. We estimated the fair value of the reporting units using a weighting of fair values derived most significantly from the market approach and, to a lesser extent, from the income approach. Under the income approach, we calculated the fair value of the reporting units based on the present value of estimated future cash flows. Cash flows projections are based on management's estimates of revenue growth rates and earnings before interest and taxes, taking into consideration industry and market conditions. The assumptions used for the impairment analysis were developed by management of each reporting unit based on industry projections, as well as specific facts relating to the reporting units. If the reporting units were to experience sales declines or be exposed to enhanced and sustained pricing and volume pressures there would be an increased risk of impairment of goodwill for the reporting units.

Critical estimates in valuing intangible assets include future expected cash flows from license agreements, trade names and customer relationships. In addition, other factors considered are the brand awareness and market position of the products sold by the acquired companies and assumptions about the period of time the brand will continue to be used in the combined company's product portfolio. Management's estimates of fair value are based on assumptions believed to be reasonable, but which are inherently uncertain and unpredictable.

If we did not appropriately allocate these components or we incorrectly estimate the useful lives of these components, our computation of amortization expense may not appropriately reflect the actual impact of these costs over future periods, which may affect our results of operations.

Trademarks having finite lives are amortized over their estimated useful lives and measured for impairment when events or circumstances indicate that the carrying value may be impaired.

Equity Awards

All share-based payments to employees, including grants of restricted stock units and employee stock options, are recognized in the consolidated financial statements as compensation expense over the service period (generally the vesting period) based on their fair values. Restricted stock units that do not have performance conditions are valued based on the quoted market price on date of grant. Restricted stock units with performance conditions are valued with the assistance of a valuation expert. Stock options are valued using the Black-Scholes option pricing model. The Black-Scholes model requires subjective assumptions regarding dividend yields, expected volatility, expected life of options and risk-free interest rates. These assumptions reflect management's best estimates. Changes in these inputs and assumptions can materially affect the estimate of fair value and the amount of our compensation expenses for stock options.

Results of Operations

The following table sets forth selected operating data as a percentage of our net sales for the fiscal years indicated below:

	2017	2016	2015
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	64.8	64.2	64.2
Gross profit	35.2	35.8	35.8
Selling, general and administrative expenses	29.5	26.8	27.0
Depreciation and amortization	1.4	1.1	1.0
Assets impairment	0.4	—	—
Operating profit	3.9	7.9	7.8
Other income	—	—	0.5
Interest and financing charges, net	(0.6)	(0.3)	(0.4)
Income before income taxes	3.3	7.6	7.9
Interest and financing charges, net	1.1	2.8	2.8
Net income	2.2	4.8	5.1
Add: loss attributable to noncontrolling interest	—	—	0.1
Net income attributable to G-III	2.2%	4.8%	5.2%

Year ended January 31, 2017 ("fiscal 2017") compared to year ended January 31, 2016 ("fiscal 2016")

Net sales for fiscal 2017 increased to $2.39 billion from $2.34 billion in the prior year. Net sales of our segments are reported before intercompany eliminations.

Net sales of our wholesale operations segment were $2.01 billion for fiscal 2017 compared to $1.95 billion last year. Our wholesale operations segment had $70.8 million of net sales of new Tommy Hilfiger licensed products, including dresses, denim, women's performance wear, and women's suits and sportswear product lines $35.0 million of net sales of new Karl Lagerfeld licensed products, and $16.6 million of net sales of new DKNY and Donna Karan products. The increase in net sales of our wholesale operations division was also the result of a $43.7 million increase in net sales of Calvin Klein licensed products and a $17.9 million increase in net sales of Ivanka Trump licensed products. These increases were offset, in part, by a $41.8 million decrease in net sales of private label products, $27.5 million decrease in net sales of Kensie licensed products, a $17.2 million decrease in net sales of our Andrew Marc product lines, a $13.0 million decrease in net sales of Guess men's and women's licensed outerwear and a $12.9 million decrease in net sales of Kenneth Cole licensed outerwear.

Net sales of our retail operations segment decreased to $474.2 million for fiscal 2017 from $514.0 million in the prior year primarily as the result of a decrease of 14.2% in Wilsons' same store sales compared to the same period in the prior year and a decrease of 7.5% in G.H. Bass' same store sales compared to the same period in the prior year. These decreases are mainly the result of reduced net sales in outerwear and cold weather products due to lower customer traffic at locations that are frequented by international tourists, a highly promotional outlet and retail environment throughout the year and unseasonably warm weather.

Gross profit increased to $840.9 million for fiscal 2017 from $838.6 million for fiscal 2016, with a gross profit percentage of 35.2% in fiscal 2017 and 35.8% in fiscal 2016. The gross profit percentage in our wholesale operations segment was 31.4% in fiscal 2017 compared to 30.9% in the prior year. This increase was primarily the result of a more favorable product mix, as well as an increase in gross profit for the Calvin Klein, Eliza J, Jessica Howard and Ivanka Trump product lines. The gross profit percentage in our retail operations segment was 43.6% in fiscal 2017 compared to 46.1% in the prior year. The decrease in gross profit percentage was the result of offering deeper discounts in order to maintain acceptable inventory levels and increased promotional activity due to a decline in traffic.

Selling, general and administrative expenses increased to $704.4 million, or 29.5% of net sales, in fiscal 2017 from $628.8 million, or 26.8% of net sales, in the prior year. Since December 1, 2016, we incurred $23.8 million of selling, general and administrative expenses with respect to the acquired Donna Karan business. The remainder of the increase is primarily due to increased facility costs ($21.4 million), advertising costs ($15.3 million) and personnel costs ($5.5 million), as well as professional fees associated with the Donna Karan acquisition ($7.8 million). Facility costs increased as a result of increased shipping, storage and processing costs incurred at our third party warehouses. Advertising costs increased due to the increase in net sales of licensed products and cooperative advertising. We typically pay an advertising fee and are required to participate in customer cooperative advertising pursuant to many of our license agreements based on a percentage of net sales of licensed products. Additionally, advertising costs increased due to an increase in advertising purchased, an increase in promotional activities at retail stores and increased spending in e-commerce initiatives. Personnel costs increased as a result of staffing for new product lines under new license agreements, as well as an increase in headcount to staff additional retail stores that opened since last year. The increase in personnel costs was offset, in part, by reduced bonus expense compared to last year.

Depreciation and amortization increased to $32.5 million in fiscal 2017 from $25.4 million in the prior year. These expenses increased as a result of depreciation and amortization related to the increase in capital expenditures in previous years primarily related to fixturing costs at department stores, as well as remodeling, relocating and adding new Wilsons, G.H. Bass and Vilebrequin stores. We expect depreciation and amortization to increase by approximately $12.0 million in fiscal 2018 as a result of the acquisition of DKI.

In fiscal 2017, we recorded a $10.5 million impairment charge with respect to leasehold improvements, furniture and fixtures at certain of our Wilsons and G.H. Bass stores as a result of poor performance in these stores.

Our operating profit decreased by $91.0 million to $93.5 million in fiscal 2017 from $184.5 million in fiscal 2016 primarily as a result of the losses in our retail operations segment. Operating profit in our wholesale operations segment decreased by $32.6 million to $153.0 million in fiscal 2017 from $185.6 million as a result of the factors discussed above. This includes severance related costs of $3.9 million, professional expenses incurred in connection with the acquisition of DKI of $7.8 million and DKI's wholesale operating loss of $5.5 million. Operating loss in our retail operations segment increased by $60.2 million to $61.3 million in fiscal 2017 from $1.2 million in fiscal 2016 as a result of the factors discussed above. This includes a $10.5 million impairment charge with respect to leasehold improvements and DKI's retail operating loss of $7.7 million.

Other income was $1.3 million in fiscal 2016 and primarily related to a gain with respect to the revised estimated contingent consideration payable in connection with the acquisition of Vilebrequin.

Interest and financing charges, net for fiscal 2017, were $15.7 million compared to $6.7 million for the prior year. The increase in interest and financing charges is a result of the additional interest incurred with respect the bank loans and the note issued to the seller in connection with the acquisition of DKI, as well as the amortization of the capitalized debt issuance costs related to this debt.

Income tax expense for fiscal 2017 was $25.8 million compared to $64.8 million for the prior year. The decrease in income tax expense is primarily related to the lower pretax income in fiscal 2017. Our effective tax rate was 33.2% in fiscal 2017 compared to 36.2% in the prior year. This decrease in our effective tax rate is mainly a result of the $3.1 million tax benefit realized in fiscal 2017 in connection with the vesting of equity awards subsequent to the adoption of ASU 2016-09.

Year ended January 31, 2016 ("fiscal 2016") compared to year ended January 31, 2015 ("fiscal 2015")

Net sales for fiscal 2016 increased to $2.34 billion from $2.12 billion in the prior year. Net sales of our segments are reported before intercompany eliminations. Net sales of our wholesale operations segment increased to $1.95 billion from $1.75 billion, primarily as a result of an increase of $109.2 million in net sales of Calvin Klein licensed products, with the largest increases occurring in women's suits, handbags, dresses and performance wear, $29.4 million in net sales of Ivanka Trump licensed products, $24.4 million in net sales of our Eliza J. dresses, $18.7 million in net sales of licensed team sports products and $15.9

million in net sales of private label products. Net sales of our retail operations segment increased to $514.0 million for fiscal 2016 from $499.3 million in the prior year primarily as the result of an increase in same store sales of 12.1% for G.H. Bass compared to the same period in the prior year offset, in part, by a decrease of 7.6% in same store sales for Wilsons.

Gross profit increased to $838.6 million for fiscal 2016 from $757.3 million for fiscal 2015, with a gross profit percentage of 35.8% in both years. The gross profit percentage in our wholesale operations segment was 30.9% in fiscal 2016 compared to 30.1% in the prior year. The gross profit percentage in our retail operations segment was 46.1% in fiscal 2016 compared to 46.4% in the prior year.

Selling, general and administrative expenses increased to $628.8 million, or 26.8% of net sales, in fiscal 2016 from $572.0 million, or 27.0% of net sales, in the prior year. This increase is primarily due to increases in personnel costs ($28.3 million), facility costs ($13.4 million) and advertising expense ($10.3 million). Personnel costs increased as a result of staffing for new product lines under new licensing agreements and an increase in headcount to staff additional retail stores opened since last year. There was also an increase in bonus accruals related to higher profitability and stock based compensation expense due to an increase in equity awards granted in the past few years. Facility costs increased primarily as a result of increases in third party warehouse costs. We used third party facilities to handle the increased shipping volume. Advertising costs increased due to an increase in net sales of licensed products, as well as due to an increase in cooperative advertising

Depreciation and amortization increased to $25.4 million in fiscal 2016 from $20.4 million in the prior year. These expenses increased as a result of depreciation and amortization related to the increase in capital expenditures in the current year, as well as in previous years primarily related to fixturing costs at department stores, as well as for remodeling, relocating and adding new Wilsons, G.H. Bass and Vilebrequin stores.

Other income was $1.3 million in fiscal 2016 and $11.5 million in fiscal 2015. Other income recognized in fiscal 2016 relates to an $899,000 gain with respect to the revised estimated contingent consideration payable in connection with the acquisition of Vilebrequin. Other income in fiscal 2016 also included $272,000 of income from our minority interest in the Karl Lagerfeld North America joint venture. Other income recognized in fiscal 2015 related to a $4.2 million gain with respect to the revised estimated contingent consideration payable in connection with the acquisition of Vilebrequin, $3.5 million received as compensation for the early termination of the right to operate Calvin Klein Performance stores in Japan, Taiwan and Singapore, a $1.9 million gain from the sale of our interest in a joint venture that operated Calvin Klein Performance stores in China and a $1.9 million gain related to the repurchase, at a discount, of the unsecured promissory notes issued as part of the consideration for the acquisition of Vilebrequin.

Interest and financing charges, net for fiscal 2016, were $6.7 million compared to $7.9 million for the prior year. Interest expense decreased because the promissory notes issued in connection with the acquisition of Vilebrequin were paid off in fiscal 2015 and because of a lower average borrowing balance in fiscal 2016 compared to the prior year resulting mainly from the application of the net proceeds of our public offering in June 2014.

Income tax expense for fiscal 2016 was $64.8 million compared to $59.5 million for the prior year. The increase in income tax expense is related to the higher pretax income in the current period. Our effective tax rate was 36.2% in the current year compared to 35.5% in the prior year. The effective tax rate is higher in the current period compared to the prior period as a result of certain non-recurring transactions recorded in other income in the prior year that were not subject to income tax.

Liquidity and Capital Resources

Acquisition of Donna Karan International

On December 1, 2016, G-III acquired all of the outstanding capital stock of DKI from LVMH for a total purchase price of approximately $669.8 million, after taking into account certain adjustments. The purchase price was paid by us with a combination of (i) cash, (ii) $75.0 million of newly issued shares of

our common stock to LVMH and (iii) a junior lien secured promissory note in favor of LVMH in the principal amount of $125 million. The cash portion of the purchase price was paid from proceeds of the borrowings under the new financing agreements entered into in connection with the acquisition.

Amended and Restated Credit Agreement

On December 1, 2016, our subsidiaries, G-III Leather Fashions, Inc. ("G-III Leather"), Riviera Sun, Inc., CK Outerwear, LLC, Andrew & Suzanne Company Inc., AM Retail Group, Inc., The Donna Karan Company Store LLC and The Donna Karan Company LLC (collectively, the "Borrowers"), entered into an amended and restated credit agreement (the "ABL Credit Agreement") with the Lenders named therein and with JPMorgan Chase Bank, N.A., as Administrative Agent. The ABL Credit Agreement is a five year senior secured credit facility providing for borrowings in the aggregate principal amount of up to $650,000,000. We and our subsidiaries, G-III Apparel Canada ULC, AM Apparel Holdings, Inc., Gabrielle Studio, Inc., Donna Karan International Inc. and Donna Karan Studio LLC (the "Guarantors"), are Loan Guarantors under the ABL Credit Agreement.

The ABL Credit Agreement refinances, amends and restates the Credit Agreement, dated as of August 6, 2012 as amended, supplemented or otherwise modified from time to time prior to December 1, 2016, the "Prior Credit Agreement"), by and among the Borrowers and the Loan Guarantors (each as defined therein) party thereto, the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., in its capacity as the administrative agent thereunder. The Prior Credit Agreement provided for borrowings of up to $450 million and was due to expire in August 2017.

Amounts available under the ABL Credit Agreement are subject to borrowing base formulas and over advances as specified in the ABL Credit Agreement. Borrowings bear interest, at the Borrowers' option, at LIBOR plus a margin of 1.25% to 1.75% or an alternate base rate (defined as the greatest of (i) the "prime rate" of JPMorgan Chase Bank, N.A. from time to time, (ii) the federal funds rate plus 0.5% and (iii) the LIBOR rate for a borrowing with an interest period of one month) plus a margin of 0.25% to 0.75%, with the applicable margin determined based on Borrowers' availability under the ABL Credit Agreement. As of January 31, 2017, interest under the ABL Credit Agreement was being paid at the average rate of 3.19% per annum. The ABL Credit Agreement is secured by specified assets of the Borrowers and the Guarantors.

In addition to paying interest on any outstanding borrowings under the new revolving credit facility, we are required to pay a commitment fee to the lenders under the ABL Credit Agreement with respect to the unutilized commitments. The commitment fee shall accrue at a rate equal to 0.25% per annum on the average daily amount of the available commitment.

The ABL Credit Agreement contains a number of covenants that, among other things, restrict the Company's ability, subject to specified exceptions, to incur additional debt; incur liens; sell or dispose of assets; merge with other companies; liquidate or dissolve itself; acquire other companies; make loans, advances, or guarantees; and make certain investments. In certain circumstances, the credit agreement also requires G-III to maintain a minimum fixed charge coverage ratio, as defined, that may not exceed 1.00 to 1.00 for each period of twelve consecutive fiscal months of holdings. As of January 31, 2017, the Company was in compliance with these covenants.

On December 1, 2016, the Borrowers borrowed an aggregate of $40.0 million under the ABL Credit Agreement to pay off all outstanding amounts under the Prior Credit Agreement and to pay certain fees and expenses in connection with the ABL Credit Agreement. In addition, on December 1, 2016, an additional $230.0 million was borrowed under the ABL Credit Agreement to fund a portion of the purchase price with respect to the acquisition of DKI.

Term Loan Credit Agreement

General

On December 1, 2016, the Company entered into a Credit Agreement with the lenders party thereto and Barclays Bank PLC, as administrative agent and collateral agent (the "Term Loan Credit Agreement").

The Term Loan Credit Agreement provides for term loans in an aggregate principal amount of $350.0 million (the "Term Loans"), which were drawn in full on December 1, 2016. The Company used the proceeds to fund a portion of the purchase price with respect to the acquisition of DKI, with the remainder being used for general corporate purposes. Also on December 1, 2016, the Company refinanced $50 million in principal amount of the Term Loans, reducing the principal balance of the Term Loans to $300 million. The Term Loans and other obligations under the Term Loan Credit Agreement are guaranteed by certain of the Company's restricted subsidiaries (the "Guarantors").

The Term Loan Credit Agreement permits the Company to incur, from time to time, additional incremental term loans under the Term Loan Credit Agreement (subject to obtaining commitments for such term loans) and other *pari passu* lien indebtedness, subject to an overall limit of (x) $125.0 million plus (y) such additional amount that would cause the Company's first lien leverage ratio not to exceed 2.25 to 1.00 on a *pro forma* basis. Any such incremental term loans and other *pari passu* lien indebtedness are permitted to share in the Collateral described below on a *pari passu* basis with the Term Loans.

Maturity and Interest Rate

The Term Loan will mature in December 2022. Interest on the outstanding principal amount of the Term Loan accrues at a rate equal to LIBOR, subject to 1% floor, plus an applicable margin of 5.25% or an alternate base rate (defined as the greatest of (i) the "prime rate" as published by the Wall Street Journal from time to time, (ii) the federal funds rate plus 0.5% and (iii) the LIBOR rate for a borrowing with an interest period of one month) plus 4.25%, per annum, payable in cash. As of January 31, 2017, interest under the Term Loan was being paid at the rate of 6.25% per annum.

Collateral

Subject to certain permitted liens and other exclusions and exceptions, the Term Loans are secured (i) on a first-priority basis by a lien on, among other things, our real estate assets, equipment and fixtures, equity interests and intellectual property and certain related rights owned by us and the Guarantors (the "Term Priority Collateral") and (ii) by a second-priority security interest in our and the Guarantors' other assets (together with the Term Priority Collateral, the "Collateral"), which will secure on a first-priority basis our asset-based loan facility described above under the caption "— Amended and Restated Credit Agreement".

Optional Prepayment

The Term Loans may be prepaid, at the option of the Company, in whole or in part, at any time at par plus accrued interest and, in the case of prepayments from the proceeds of certain refinancings prior to December 1, 2017, subject to a 1% prepayment fee. On December 1, 2016, we prepaid $50.0 million of the outstanding balance of the loan. We paid a fee of $500,000 to the lenders in connection with this prepayment.

Mandatory Prepayment

The Term Loans are required to be prepaid with the proceeds of certain asset sales if such proceeds are not applied as required by the Term Loan Credit Agreement within certain specified deadlines.

The Term Loans are also required to be prepaid in an amount equal to 75% of our Excess Cash Flow (as defined in the Term Loan Credit Agreement) with respect to each fiscal year ending on or after January 31, 2018. The percentage of Excess Cash Flow that must be so applied is reduced to 50% if our senior secured leverage ratio is less than 3.00 to 1.00, to 25% if our senior secured leverage ratio is less than 2.75 to 1.00 and to 0% if our senior secured leverage ratio is less than 2.25 to 1.00.

Change of Control

The occurrence of specified change of control events constitute an event of default under the Term Loan Credit Agreement.

Certain Covenants

The term loan contains covenants that restrict the Company's ability to among other things, incur additional debt, sell or dispose certain assets, make certain investments, incur liens and enter into acquisitions. This loan also includes a mandatory prepayment provision on excess cash flow as defined within the agreement. A first lien leverage covenant requires the Company to maintain a level of debt to Ebitda at a ratio as defined over the term of the agreement. As of January 31, 2017 the Company was in compliance with this covenant.

The Term Loan Credit Agreement limits our and our restricted subsidiaries' ability to:

- incur additional indebtedness;
- make dividend payments or other restricted payments;
- create liens;
- sell assets (including securities of our restricted subsidiaries);
- permit certain restrictions on dividends and transfers of assets by our restricted subsidiaries;
- enter into certain types of transactions with shareholders and affiliates; and
- enter into mergers, consolidations or sales of all or substantially all of our assets.

These covenants are subject to exceptions and qualifications. The Term Loan Credit Agreement also contains affirmative covenants and events of default that are customary for credit agreements governing term loans.

LVMH Note

On December 1, 2016, we issued to LVMH, as a portion of the consideration for the acquisition of DKI, a junior lien secured promissory note in favor of LVMH in the principal amount of $125 million (the "LVMH Note") that bears interest at the rate of 2% per year. $75 million of the principal amount of the LVMH Note is due and payable on June 1, 2023 and $50 million of such principal amount is due and payable on December 1, 2023.

Based on an independent valuation, it was determined that the LVMH Note should be treated as having been issued at a discount of $40.0 million in accordance with ASC 820 — Fair Value Measurements. The imputed discount is being amortized as interest expense using the effective interest method over the term of the LVMH Note.

In connection with the issuance of the LVMH Note, LVMH entered into (i) a subordination agreement with Barclays Bank PLC, as administrative agent for the lenders party to the Term Loan Credit Agreement and collateral agent for the Senior Secured Parties thereunder and JPMorgan Chase Bank, N.A., as administrative agent for the lenders and other Senior Secured Parties under the ABL Credit Agreement, providing that our obligations under the LVMH Note are subordinate and junior to our obligations under the ABL Credit Agreement and Term Loan Credit Agreement, and (ii) a pledge and security agreement with us and G-III Leather, pursuant to which we and G-III Leather granted to LVMH a security interest in specified collateral to secure our payment and performance of our obligations under the LVMH Note that is subordinate and junior to the security interest granted by us with respect to our obligations under the ABL Credit Agreement and Term Loan Credit Agreement.

Outstanding Borrowings

Our primary operating cash requirements are to fund our seasonal buildup in inventories and accounts receivable, primarily during the second and third fiscal quarters each year. Due to the seasonality of our business, we generally reach our peak borrowings under our asset-based credit facility during our third fiscal quarter. The primary sources to meet our operating cash requirements have been borrowings under this credit facility, cash generated from operations and the sale of our common stock.

We incurred significant additional debt in connection with our acquisition of DKI. At January 31, 2017 we had $91.1 million in borrowings outstanding under the ABL Credit Agreement and $300 million in borrowings outstanding under the Term Loan Credit Agreement. At January 31, 2016 and January 31, 2015, we had no borrowings outstanding under the Prior Credit Agreement. Our contingent liability under open letters of credit was approximately $10.4 million at January 31, 2017, $5.5 million at January 31, 2016 and $8.0 million at January 31, 2015. In addition to the amounts outstanding under these two loan agreements, at January 31, 2017, we had $125 million of face value principal outstanding under the LVMH Note.

Issuance of Shares of Common Stock

As part of the purchase price for the acquisition of DKI, we issued to LVMH 2,608,877 shares of our common stock. These shares were valued at $28.748 per share, which price per share is the volume weighted average price of our common stock on the NASDAQ Stock Market over the five consecutive trading days ending on November 30, 2016. The shares were issued pursuant to the exemption from registration provided under Regulation D and Section 4(a)(2) of the Securities Act, as a transaction with a single, sophisticated investor not involving a public offering. We entered into a registration rights agreement with LVMH in which we granted piggyback registration rights to LVMH with respect to these shares for two years from December 1, 2016.

Investment in Karl Lagerfeld Entities

In February 2016, we acquired a 19% interest in KH1, the parent company of the group that holds the worldwide rights to the Karl Lagerfeld brand. We paid €32.5 million (approximately $35.4 million at the date of the transaction), for this interest. In June 2015, we purchased a 49% interest in KLNA for $25.0 million. KLNA holds brand rights to Karl Lagerfeld trademarks for all consumer products (with certain exceptions) and apparel in the United States, Canada and Mexico.

Public Offering

In June 2014, we sold 3,450,000 shares of our common stock, including 450,000 shares sold pursuant to the exercise in full of the underwriters' option to purchase additional shares, at a public offering price of $38.82 per share. We received net proceeds of $128.7 million from this offering after payment of the underwriting discount and expenses of the offering. The net proceeds are being used for general corporate purposes.

Share Repurchase Program

In December 2015, our Board of Directors reapproved and increased the previously authorized share repurchase program. There were 3,750,000 remaining shares authorized for repurchase under the prior program which the Board increased to 5,000,000 shares. As of January 31, 2017, we had not repurchased any shares pursuant to the repurchase program. The timing and actual number of shares repurchased, if any, will depend on a number of factors, including market conditions and prevailing stock prices, and are subject to compliance with certain covenants contained in our loan agreement. Share repurchases may take place on the open market, in privately negotiated transactions or by other means, and would be made in accordance with applicable securities laws. As of March 31, 2017, we have approximately 48,460,443 shares of common stock outstanding.

Cash from Operating Activities

At January 31, 2017, we had cash and cash equivalents of $80.0 million. We generated $105.7 million of cash from operating activities in fiscal 2017, primarily as a result of our net income of $51.9 million, non-cash charges of $32.5 million for depreciation and amortization and $16.9 million for equity based compensation, as well as a decrease in prepaid income taxes, net of $14.2 million. These amounts were offset, in part, by an increase of $29.3 million in accounts receivable.

The increase in accounts receivables is due to additional receivables acquired in connection with the acquisition of DKI and the increase in the fourth quarter net sales compared to the same period last year. The decrease in prepaid income taxes, net is mainly the result of the timing of our tax payments compared to the same period in the prior year.

In connection with the purchase agreement, the Company and the sellers agreed to make an election under Section 338(h)(10) of the Internal Revenue Code, which would allow the Company to step up the basis in the assets acquired. The Company has estimated that the benefit from this election will be in excess of $10 million annually. This benefit will be realized over a fifteen year period if the Company has taxable income in the United States in amount greater than $40 million per year.

At January 31, 2016, we had cash and cash equivalents of $132.6 million. We generated $64.0 million of cash from operating activities in fiscal 2016, primarily as a result of our net income of $114.3 million, non-cash charges of $25.4 million for depreciation and amortization, $15.6 million for equity based compensation, and an increase in accounts payable of $14.8 million, offset, in part, by an increase of $59.9 million in inventories, an increase of $23.6 million in accounts receivable, an increase in income taxes payable of $16.9 million and a tax benefit of $10.3 million from the exercise or vesting of equity awards.

The increase in inventory is primarily a result of increased outerwear inventory due to unseasonably warm weather during the fall and winter seasons, as well as a challenging retail environment in the last quarter of fiscal 2016 that negatively impacted our sell through at the retail level. The increase in inventory compared to the prior year is also due, to a lesser extent, to the additional inventory from our new lines of Karl Lagerfeld products and Tommy Hilfiger dresses. The increase in accounts receivables is due to a shift in the timing of our January shipments, as we shipped larger volumes of merchandise later in the month than in the same period in the prior year.

At January 31, 2015, we had cash and cash equivalents of $128.4 million. We generated $81.6 million of cash from operating activities in fiscal 2015, primarily as a result of our net income of $109.0 million, an increase in accounts payable and accrued expenses of $64.1 million and non-cash charges of $20.4 million for depreciation and amortization and $12.2 million for equity based compensation, offset, in part, by an increase of $69.8 million in inventories and $37.6 million in accounts receivable.

Our accounts payables and accrued expenses increased as a result of an increase in our working capital needs, as we expanded our business between fiscal 2014 and fiscal 2015. The increase in inventories was mainly driven by G.H. Bass as its inventory was being replenished during the transition period following our acquisition of G.H. Bass in the fourth quarter of fiscal 2014. The increase in accounts receivable is primarily related to increased shipping in the latter half of the fourth quarter in fiscal 2015 compared to the same period in the prior year.

Cash from Investing Activities

In fiscal 2017, we used $525.8 million in investing activities of which $465.4 million was in connection with the acquisition of DKI. We also used $24.9 million for capital expenditures, primarily related to fixturing costs at department stores, and $35.4 million for the investment in Kingdom Holdings 1 B.V.

In fiscal 2016, we used $67.7 million of cash in investing activities of which $42.2 million was for capital expenditures, primarily related to fixturing costs at department stores, as well as for remodeling, relocating and adding new Wilsons, G.H. Bass and Vilebrequin stores. The remainder of the cash used in investing activities of $25.5 million related to the investment in Karl Lagerfeld North America BV.

In fiscal 2015, we used $39.4 million of cash in investing activities as a result of $42.6 million in capital expenditures offset, in part, by $2.7 million in proceeds from the sale of our interest in a joint venture that operated Calvin Klein Performance stores in China. Our capital expenditures related to remodeling and adding new Wilsons Leather, G.H. Bass and Vilebrequin stores, fixturing costs at department stores, leasehold improvements at our corporate office, the expansion of the Wilsons distribution center to accommodate the G.H. Bass business and the conversion of the G.H. Bass point of sale system from the system used by the prior owner of G.H. Bass to our system.

Cash from Financing Activities

Cash from financing activities provided $367.6 million in fiscal 2017, primarily from additional borrowings to finance the DKI acquisition.

Cash from financing activities provided $10.5 million in fiscal 2016, primarily as a result of net proceeds from the tax benefit associated with the vesting of restricted stock units and the exercise of stock options.

Cash from financing activities provided $66.4 million in fiscal 2015, primarily as a result of the receipt of net proceeds of $128.7 million in connection with our public offering of common stock in June 2014, offset by $48.0 million relating to repayment of net borrowings under our credit agreement and the repurchase for $17.7 million of the unsecured promissory notes issued as part of the consideration for our acquisition of Vilebrequin.

Financing Needs

We believe that our cash on hand and cash generated from operations and our public offering in fiscal 2015, together with funds available under the ABL Credit Agreement, are sufficient to meet our expected operating and capital expenditure requirements. We may seek to acquire other businesses in order to expand our product offerings. We may need additional financing in order to complete one or more acquisitions. We cannot be certain that we will be able to obtain additional financing, if required, on acceptable terms or at all.

New Accounting Pronouncements

Recently Adopted Accounting Guidance

In March 2016, the FASB issued Accounting Standards Update ("ASU") 2016-09, "Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 simplifies various aspects related to share-based payments. We elected to early-adopt ASU 2016-09 with an effective date of February 1, 2016. Under previous guidance, excess tax benefits and deficiencies from stock-based compensation arrangements were recorded in equity when the awards vested or were settled. ASU 2016-09 requires prospective recognition of excess tax benefits and deficiencies in the income statement, resulting in the recognition of excess tax benefits of approximately $3.1 million in income tax expense, or $0.07 per diluted share, rather than in paid-in capital, for fiscal 2017. We have elected to continue to estimate the number of stock-based awards expected to vest, as permitted by ASU 2016-09, rather than electing to account for forfeitures as they occur.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740) — Balance Sheet Classification of Deferred Taxes." Prior to ASU 2015-17, GAAP required an entity to separate deferred income tax asset and liabilities into current and noncurrent amounts on the balance sheet. ASU 2015-17 requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. ASU 2015-17 is effective for annual and interim periods beginning after December 15, 2016 and early adoption is permitted. We elected to early adopt ASU 2015-17 for the period ended January 31, 2017. We chose to apply the guidance prospectively and adoption resulted in a non-current deferred tax asset balance of $15.8 million and a non-current deferred tax liability balance of $14.3 million in lieu of a current deferred tax asset balance of $18.1 million and a non-current deferred tax liability of $17.0 had we not adopted the guidance early.

Accounting Guidance Issued Being Evaluated for Adoption

In January 2017, the FASB issued ASU 2017-04, "*Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*." The purpose of ASU 2017-04 is to simplify the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment should be applied on a prospective basis. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019, including interim periods within that year. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We do not expect ASU 2017-04 to have an impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business". The purpose of ASU 2017-01 is to clarify the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within that year. The amendments in ASU 2017-01 should be applied prospectively on or after the effective date. Early adoption is permitted. We do not expect ASU 2017-01 to have an impact on our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." The update requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset upon transfer other than inventory, eliminating the current recognition exception. Prior to the update, GAAP prohibited the recognition of current and deferred income taxes for intra-entity asset transfers until the asset was sold to an outside party. The amendments in this update do not include new disclosure requirements; however, existing disclosure requirements might be applicable when accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. For public business entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. We are currently evaluating the effects of ASU 2016-16 on our financial statements and disclosures.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which clarifies guidance with respect to the classification of eight specific cash flow issues. ASU 2016-15 was issued to reduce diversity in practice and prevent financial statement restatements. Cash flow issues include; debt prepayment or debt extinguishment costs, settlement of zero-coupon bonds, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies and bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Under the provision, entities must apply the guidance retrospectively to all periods presented but may apply it prospectively if retrospective application would be impracticable. We are currently evaluating the provisions of ASU 2016-15.

In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing." The guidance clarifies two aspects of Topic 606: (i) identifying performance obligations and (ii) providing licensing implementation guidance, while retaining the related principles for those areas. Topic 606 includes implementation guidance on (a) contracts with customers to transfer goods and services in exchange for consideration and (b) determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). The amendments in this update are intended to render more detailed implementation guidance with the expectation of reducing the degree of judgment necessary to comply with Topic 606. The FASB continues to clarify this guidance and most recently issued ASU 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," ASU 2016-12, "Narrow-Scope Improvements and Practical Expedients," and ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers." These new standards have the same effective date as ASU 2014-09 and will be effective for public entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). With respect to the implementation of the new guidance, we have created a committee that is in the process of evaluating the potential differences that would result from applying the requirements of the new standard to our current accounting policies and practices. While we continue to evaluate the impact of the new revenue guidance, we currently believe, based on a preliminary assessment, that the adoption of Topic 606 will primarily impact the net sales of our wholesale operations. However, preliminary assessments may be subject to change.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The primary difference between the current requirement under GAAP and ASU 2016-02 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. ASU 2016-02 requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while

finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are for the most part similar to those applied in current lease accounting. ASU 2016-02 may be adopted using a modified retrospective transition, and provides for certain practical expedients. Transactions will require application of the new guidance at the beginning of the earliest comparative period presented. The guidance is effective for public entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. We are currently assessing the potential impact of ASU 2016-02 on our consolidated financial statements and expect that it will result in a significant increase to our long-term assets and liabilities.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." This standard modifies how entities measure equity investments and present changes in the fair value of financial liabilities; simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; changes presentation and disclosure requirements; and clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early application is permitted. We do not expect that the adoption of this ASU will have a significant impact on our statement of operations.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330) — Simplifying the Measurement of Inventory." Under this standard, inventory will be measured at the "lower of cost and net realizable value" and options that currently exist for "market value" will be eliminated. The standard defines net realizable value as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation." No other changes were made to the current guidance on inventory measurement. This guidance is effective for interim and annual periods beginning after December 15, 2016. Early adoption is permitted and should be applied prospectively. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern," which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessment of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. Further, an entity must provide certain disclosures if there is "substantial doubt about the entity's ability to continue as a going concern." The new guidance becomes effective for the Company for fiscal years ending on or after December 15, 2016 and interim periods thereafter.

Off Balance Sheet Arrangements

We do not have any "off-balance sheet arrangements" as such term is defined in Item 303 of Regulation S-K of the SEC rules.

Tabular Disclosure of Contractual Obligations

As of January 31, 2017, our contractual obligations were as follows (in thousands):

	Payments Due By Period				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating lease obligations	$ 579.0	$ 95.9	$ 179.6	$ 139.7	$163.8
Minimum royalty payments[1]	806.6	143.5	206.4	271.4	185.3
Long term debt obligations[2]	516.1	—	—	91.1	425.0
Purchase obligations[3]	10.4	10.4	—	—	—
Total	$1,912.1	$ 249.8	$ 386.0	$ 502.2	$774.1

(1) Includes obligations to pay minimum scheduled royalty, advertising and other required payments under various license agreements.

(2) Includes $91.1 million outstanding under our credit facility with an expiration in December 2021, $300.0 million related to our Term Loan that will mature in 2022 and $125.0 million related to the note issued to LVMH payable in 2023.

(3) Includes outstanding trade letters of credit, which represent inventory purchase commitments, which typically mature in less than six months.

ITEM 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.***

Foreign Currency Exchange Rate Risks and Commodity Price Risk.

We negotiate our purchase orders with foreign manufacturers in United States dollars. Thus, notwithstanding any fluctuation in foreign currencies, our cost for any purchase order is not subject to change after the time the order is placed. However, if the value of the United States dollar against local currencies were to decrease, manufacturers might increase their United States dollar prices for products.

Our sales from the non-US operations of Vilebrequin could be affected by currency fluctuations, primarily relating to the Euro. We cannot fully anticipate all of our currency exposures and therefore foreign currency fluctuations may impact our business, financial condition, and results of operations. However, we believe that the risks related to these fluctuations are not material due to the low volume of transactions by us that are denominated in currencies other than the US dollar. DKI has operations in the Euro zone and, as such, sells product and records receivables denominated in Euro.

Interest Rate Exposure

We are subject to market risk from exposure to changes in interest rates relating to our Term Loan and our revolving line of credit. We borrow under our revolving line of credit to support general corporate purposes, including capital expenditures and working capital needs. We anticipate that the expected increases in interest rates by the Federal Reserve will result in an increase in our interest expense under the Term Loan and revolving line of credit. Based on the outstanding balances of our term loan and our revolving credit facility as of January 31, 2017, we estimate that each 100 basis point increase in our borrowing rates would result in additional interest expense to us of approximately $4.3 million.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.***

Financial statements and supplementary data required pursuant to this Item begin on page F-1 of this Report.

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

None.

ITEM 9A. ***CONTROLS AND PROCEDURES.***

As of January 31, 2017, our management, including the Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure, and thus, are effective in making known to them material information relating to G-III required to be included in this report.

Changes in Internal Control over Financial Reporting

During our last fiscal quarter, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over our financial reporting. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, management has conducted an assessment, including testing, using the criteria on *Internal Control — Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. Our system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on its assessment, management has concluded that we maintained effective internal control over financial reporting as of January 31, 2017, based on criteria in *Internal Control — Integrated Framework (2013)*, issued by the COSO.

On December 1, 2016, we completed our acquisition of Donna Karan International Inc. We have excluded the internal control over financial reporting of DKI for fiscal 2017 from our assessment of, and conclusion on the effectiveness of, our internal control over financial reporting. DKI's assets, consisting primarily of trademark and goodwill values, constituted approximately 7.3% of our consolidated assets at January 31, 2017 and net sales of DKI constituted approximately 1.2% of our net sales for the fiscal year ended January 31, 2017.

Our independent auditors, Ernst & Young LLP, a registered public accounting firm, have audited and reported on our consolidated financial statements and the effectiveness of our internal control over financial reporting. The reports of our independent auditors appear on pages F-2 and F-3 of this Form 10-K and express unqualified opinions on the consolidated financial statements and the effectiveness of our internal control over financial reporting.

ITEM 9B. *OTHER INFORMATION.*

None.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.*

We have adopted a code of ethics and business conduct, or Code of Ethics, which applies to all of our employees, our principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions. Our Code of Ethics is located on our Internet website at www.g-iii.com under the heading "Investor Relations." Any amendments to, or waivers from, a provision of our Code of Ethics that apply to our principal executive officer, principal financial officer, principal accounting officer, controller and persons performing similar functions will be disclosed on our internet website within five business days following such amendment or waiver. The information contained on or connected to our Internet website is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report we file with or furnish to the Securities and Exchange Commission.

The information required by Item 401 of Regulation S-K regarding directors is contained under the heading "Proposal No. 1 — Election of Directors" in our definitive Proxy Statement (the "Proxy Statement") relating to our Annual Meeting of Stockholders to be held on or about June 15, 2017, to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, and is incorporated herein by reference. For information concerning our executive officers, see "Business — Executive Officers of the Registrant" in Item 1 in this Form 10-K.

The information required by Item 405 of Regulation S-K is contained under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement and is incorporated herein by reference. The information required by Items 407(c)(3), (d)(4), and (d)(5) of Regulation S-K is contained under the heading "Corporate Governance" in our Proxy Statement and is incorporated herein by reference.

ITEM 11. *EXECUTIVE COMPENSATION.*

The information required by this Item 11 is contained under the headings "Executive Compensation" and "Compensation Committee Report" in our Proxy Statement and is incorporated herein by reference.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.*

Security ownership information of certain beneficial owners and management as called for by this Item 12 is incorporated by reference to the information set forth under the heading "Beneficial Ownership of Common Stock by Certain Stockholders and Management" in our Proxy Statement.

Equity Compensation Plan Information

The following table provides information as of January 31, 2017, the last day of fiscal 2017, regarding securities issued under G-III's equity compensation plans that were in effect during fiscal 2017.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	2,249,992[1]	9.16[2]	1,504,807
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	2,249,992[1]	9.16[2]	1,504,807[3]

(1) Includes outstanding awards of 1,998,861 shares of Common Stock issuable upon vesting of RSUs and stock options for 251,131 shares of common stock. Outstanding stock options have a weighted average exercise price of 9.16 and a weighted average remaining term of 1.7 years.

(2) RSUs are excluded when determining the weighted average exercise price of outstanding stock options.

(3) Under our 2015 Long-Term Incentive Plan

ITEM 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.***

The information required by this Item 13 is contained under the headings "Certain Relationships and Related Transactions" and "Corporate Governance" in our Proxy Statement and is incorporated herein by reference.

ITEM 14. ***PRINCIPAL ACCOUNTING FEES AND SERVICES.***

The information required by this Item 14 is contained under the heading "Principal Accounting Fees and Services" in our Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. ***EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.***

1. Financial Statements.

2. Financial Statement Schedules.

The Financial Statements and Financial Statement Schedules are listed in the accompanying index to consolidated financial statements beginning on page F-1 of this report. All other schedules, for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, are shown in the financial statements or are not applicable and therefore have been omitted.

3. Exhibits:

The following exhibits filed as part of this report or incorporated herein by reference are management contracts or compensatory plans or arrangements: Exhibits 10.1, 10.1(a), 10.1(b), 10.1(c), 10.1(d), 10.6, 10.6(a), 10.7, 10.7(a), 10.7(b), 10.7(c), 10.7(d), 10.7(e), 10.7(f), 10.7(g), 10.7(h), 10.7(i), 10.7(j), 10.7(k), 10.8, 10.8(a), 10.8(b), 10.9, 10.10, 10.10(a), 10.10(b), 10.10(c), 10.10(d), 10.13, 10.14, 10.14(a), 10.15, 10.16 and 10.17.

		Incorporated by Reference		
Exhibit No.	**Document**	**Form**	**File No.**	**Date Filed**
2.1	Stock Purchase Agreement, dated as of July 22, 2016, by and between G-III Apparel Group, Ltd. ("G-III") and LVMH Moet Hennessy Louis Vuitton Inc. ("LVMH") (including the exhibits thereto).	8-K	000-18183	7/28/2016
2.1(a)	Amendment No. 1 to Stock Purchase Agreement, dated November 30, 2016, by and between G-III and LVMH.	8-K	000-18183	12/6/2016
3.1	Certificate of Incorporation.	8-K	000-18183	7/2/2008
3.1(a)	Certificate of Amendment of Certificate of Incorporation, dated June 8, 2006.	10-Q (Q2 2007)	000-18183	9/13/2006

Exhibit No.	Document	Incorporated by Reference		
		Form	File No.	Date Filed
3.1(b)	Certificate of Amendment of Certificate of Incorporation, dated June 7, 2011.	8-K	000-18183	6/9/2011
3.1(c)	Certificate of Amendment of Certificate of Incorporation, dated June 30, 2015.	8-K	000-18183	7/1/2015
3.2	By-Laws, as amended, of G-III.	8-K	000-18183	3/15/2015
4.1	Promissory Note, dated December 1, 2016, from G-III to LVMH.	8-K	000-18183	12/6/2016
10.1	Employment Agreement, dated February 1, 1994, between G-III and Morris Goldfarb.	10-K/A (2006)	000-18183	5/8/2006
10.1(a)	Amendment, dated October 1, 1999, to the Employment Agreement, dated February 1, 1994, between G-III and Morris Goldfarb.	10-K/A (2006)	000-18183	5/8/2006
10.1(b)	Amendment, dated January 28, 2009, to Employment Agreement, dated February 1, 1994, between G-III and Morris Goldfarb.	8-K	000-18183	2/3/2009
10.1(c)	Letter Amendment, dated March 13, 2013, to Employment Agreement, dated February 1, 1994, between G-III and Morris Goldfarb.	8-K	000-18183	3/15/2013
10.1(d)	Letter Amendment, dated April 28, 2014, to Employment Agreement, dated February 1, 1994, between G-III and Morris Goldfarb.	8-K	000-18183	5/14/2015
10.2	Amended and Restated Credit Agreement, dated as of December 1, 2016, among G-III Leather, Riviera Sun, Inc., CK Outerwear, LLC, Andrew & Suzanne Company, Inc., AM Retail Group, Inc, The Donna Karan Company Store, LLC and The Donna Karan Company LLC, as Borrowers, the other Borrowers party thereto, the Loan Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as the Administrative Agent.	8-K	000-18183	12/6/2016
10.2(a)	Credit Agreement dated as of December 1, 2016, among G-III, the other loan parties thereto, the lenders party thereto and Barclays Bank PLC, as the Administrative Agent.	8-K	000-18183	12/6/2016
10.2(b)	Debt Commitment Letter (the “Debt Commitment Letter”), dated July 22, 2016, by and between G-III and Barclays Bank PLC and JPMorgan Chase Bank, N.A.	10-Q (Q2 2017)	000-18183	9/1/2016
10.2(c)	Joinder Agreement to the Debt Commitment Letter, dated August 25, 2016, between G-III and the Commitment Parties named therein.	10-Q (Q2 2017)	000-18183	9/1/2016

Exhibit No.	Document	Incorporated by Reference		
		Form	File No.	Date Filed
10.3	Lease, dated June 1, 1993, between 512 Seventh Avenue Associates ("512") and G-III Leather Fashions, Inc. ("G-III Leather") (34th and 35th floors).	10-K/A (2006)	000-18183	5/8/2006
10.3(a)	Lease amendment, dated July 1, 2000, between 512 and G-III Leather (34th and 35th floors).	10-K/A (2006)	000-18183	5/8/2006
10.3(b)	Second Amendment of Lease, dated March 26, 2010, between 500-512 Seventh Avenue Limited Partnership, the successor to 512 (collectively, "512") and G-III Leather (34th and 35th floors).	10-Q (Q3 2011)	000-18183	12/10/2010
10.4	Lease, dated January 31, 1994, between 512 and G-III (33rd floor).	10-K/A (2006)	000-18183	5/8/2006
10.4(a)	Lease amendment, dated July 1, 2000, between 512 and G-III (33rd floor).	10-K/A (2006)	000-18183	5/8/2006
10.4(b)	Second Amendment of Lease, dated March 26, 2010, between 512 and G-III Leather (33rd floor).	10-Q (Q3 2011)	000-18183	12/10/2010
10.4(c)	Second Amendment of Lease, dated March 26, 2010, between 512 and G-III Leather (10th floor).	10-Q (Q3 2011)	000-18183	12/10/2010
10.4(d)	Third Amendment of Lease, dated March 26, 2010, between 512 and G-III Leather (36th, 21st, 22nd, 23rd and 24th floors).	10-Q (Q3 2011)	000-18183	12/10/2010
10.4(e)	Sixth Amendment of Lease (2nd Floor (including mezzanine), 21st, 22nd, 23rd, 24th, 27th, 29th, 31st, 36th and 40th Floors), dated May 23, 2013, by and between G-III Leather Fashions, Inc. as Tenant and 500-512 Seventh Avenue Limited Partnership as Landlord.	10-Q (Q1 2014)	000-18183	6/10/2013
10.4(f)	Seventh Amendment of Lease 2nd Floor (including mezzanine), 21st, 22nd, 23rd, 24th, 27th, 29th, 31st, 36th, 39th and 40th Floors), dated April 25, 2104, by and between G-III Leather Fashions, Inc. as Tenant and 500-512 Seventh Avenue Limited Partnership as Landlord.	10-Q (Q1 2015)	000-18183	6/5/2014
10.5	Lease, dated February 10, 2009, between IRET Properties and AM Retail Group, Inc.	10-Q (Q3 2011)	000-18183	12/10/2010
10.6	G-III 1999 Stock Option Plan for Non-Employee Directors, as amended the "1999 Plan".	10-K (2006)	000-18183	5/1/2006
10.6(a)	Form of Option Agreement for awards made pursuant to the 1999 Plan.	10-K (2009)	000-18183	4/16/2009
10.7	G-III 2005 Amended and Restated Stock Incentive Plan, the "2005 Plan".	8-K	000-18183	3/15/2013
10.7(a)	Form of Option Agreement for awards made pursuant to the 2005 Plan.	10-K (2009)	000-18183	4/16/2009

Exhibit No.	Document	Incorporated by Reference		
		Form	File No.	Date Filed
10.7(b)	Form of Restricted Stock Agreement for restricted stock awards made pursuant to the 2005 Plan.	8-K	000-18183	6/15/2005
10.7(c)	Form of Deferred Stock Award Agreement for restricted stock unit awards made pursuant to the 2005 Plan.	8-K	000-18183	7/2/2008
10.7(d)	Form of Deferred Stock Award Agreement for April 15, 2009 restricted stock unit grants.	8-K	000-18183	4/21/2009
10.7(e)	Form of Deferred Stock Award Agreement for March 17, 2010 restricted stock unit grants.	8-K	000-18183	3/23/2010
10.7(f)	Form of Deferred Stock Award Agreement for June 29, 2011 restricted stock unit grants.	8-K	000-18183	7/1/2011
10.7(g)	Form of Deferred Stock Award Agreement for October 5, 2012 restricted stock unit grants.	8-K	000-18183	10/11/2012
10.7(h)	Form of Deferred Stock Award Agreement for October 4, 2013 restricted stock unit grants.	8-K	000-18183	10/8/2013
10.7(i)	Form of Deferred Stock Award Agreement for October 23, 2014 restricted stock unit grant.	8-K	000-18183	10/28/2014
10.7(j)	Form of Deferred Stock Award Agreement for restricted stock unit grant vesting on April 12, 2019.	8-K	000-18183	5/14/2014
10.7(k)	Form of Deferred Stock Award Agreement for restricted stock unit grant vesting on June 12, 2020.	8-K	000-18183	5/14/2014
10.8	G-III 2015 Long-Term Incentive Plan, as amended.	8-K	000-18183	12/14/2016
10.8(a)	Form of Restricted Stock Unit Agreement for December 10, 2015 restricted stock unit grants.	8-K	000-18183	12/14/2015
10.8(b)	Form of Restricted Stock Unit Agreement for January 27, 2017 restricted stock unit grants.	8-K	000-18183	1/31/2017
10.8(c)	Form of Restricted Stock Unit Agreement for March 28, 2017 restricted stock unit grants.	8-K	000-18183	3/17/17
10.9	Form of Executive Transition Agreement, as amended.	8-K	000-18183	2/16/2011
10.10	Employment Agreement, dated as of July 11, 2005, by and between Sammy Aaron and G-III.	10-Q (Q3 2011)	000-18183	12/10/2010
10.10(a)	Amendment, dated October 3, 2008, to Employment Agreement, dated as of July 11, 2005, by and between Sammy Aaron and G-III.	8-K	000-18183	10/6/2008
10.10(b)	Amendment, dated January 28, 2009, to Employment Agreement, dated as of July 11, 2005, by and between Sammy Aaron and G-III.	8-K	000-18183	2/3/2009
10.10(c)	Letter Amendment, dated March 13, 2013, to Employment Agreement, dated as of July 11, 2005, by and between Sammy Aaron and G-III.	8-K	000-18183	3/15/2013

Exhibit No.	Document	Incorporated by Reference		
		Form	File No.	Date Filed
10.10(d)	Letter Amendment, dated April 28, 2014, to Employment Agreement, dated as of July 11, 2005, by and between Sammy Aaron and G-III.	8-K	000-18183	4/30/2014
10.11	Lease agreement dated June 29, 2006 between The Realty Associates Fund VI, LP and G-III.	10-Q (Q2 2007)	000-18183	9/13/2006
10.12	Lease Agreement, dated December 21, 2009 and effective December 28, 2009, by and between G-III, as Tenant, and Granite South Brunswick LLC, as Landlord.	10-Q (Q3 2011)	000-18183	12/10/2010
10.13	Form of Indemnification Agreement.	10-Q (Q3 2011)	000-18183	12/10/2010
10.14	Employment Agreement, made as of January 9, 2013, between G-III and Wayne S. Miller.	8-K	000-18183	1/14/2013
10.14(a)	Amendment to Employment Agreement and Executive Transition Agreement, dated as of December 9, 2016, between G-III and Wayne S. Miller.	8-K	000-18183	12/14/2016
10.15	Employment Agreement, dated as of December 9, 2016, between G-III and Jeffrey D. Goldfarb.	8-K	000-18183	12/14/2016
10.16	Amendment to Executive Transition Agreement, dated as of December 9, 2016, between G-III and Jeffrey D. Goldfarb.	8-K	000-18183	12/6/2016
10.17	Severance Agreement, dated as of December 9, 2016, between G-III and Neal Nackman.	8-K	000-18183	12/14/2016
10.18*	Lease, dated August 1, 2006, between 240 West 40th LLC. and The Donna Karan Company LLC.	—	—	—
10.19*	Lease, dated December 7, 2011, between 400 Commerce Boulevard LLC. and The Donna Karan Company LLC.	—	—	—
21*	Subsidiaries of G-III.	—	—	—
23.1*	Consent of Independent Registered Public Accounting Firm, Ernst & Young LLP.	—	—	—
31.1*	Certification by Morris Goldfarb, Chief Executive Officer of G-III Apparel Group, Ltd., pursuant to Rule 13a – 14(a) or Rule 15d – 14(a) of the Securities Exchange Act of 1934, as amended, in connection with G-III Apparel Group, Ltd.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2017.	—	—	—

Exhibit No.	Document	Incorporated by Reference		
		Form	File No.	Date Filed
31.2*	Certification by Neal S. Nackman, Chief Financial Officer of G-III Apparel Group, Ltd., pursuant to Rule 13a – 14(a) or Rule 15d – 14(a) of the Securities Exchange Act of 1934, as amended, in connection with G-III Apparel Group, Ltd.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2017.	—	—	—
32.1**	Certification by Morris Goldfarb, Chief Executive Officer of G-III Apparel Group, Ltd., pursuant to 16 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with G-III Apparel Group, Ltd.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2017.	—	—	—
32.2**	Certification by Neal S. Nackman, Chief Financial Officer of G-III Apparel Group, Ltd., pursuant to 16 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with G-III Apparel Group, Ltd.'s Annual Report on Form 10-K for the year ended January 31, 2017.	—	—	—
101.INS	XBRL Instance Document.	—	—	—
101.SCH	XBRL Schema Document.	—	—	—
101.CAL	XBRL Calculation Linkbase Document.	—	—	—
101.DEF	XBRL Extension Definition.	—	—	—
101.LAB	XBRL Label Linkbase Document.	—	—	—
101.PRE	XBRL Presentation Linkbase Document.	—	—	—

* Filed herewith.

** Exhibits 32.1 and 32.2 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. Such exhibits shall not be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Exhibits have been included in copies of this Report filed with the Securities and Exchange Commission. We will provide, without charge, a copy of these exhibits to each stockholder upon the written request of any such stockholder. All such requests should be directed to G-III Apparel Group, Ltd., 512 Seventh Avenue, 35th floor, New York, New York 10018, Attention: Mr. Wayne S. Miller, Secretary.

SIGNATURES

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

G-III APPAREL GROUP, LTD.

By: /s/ Morris Goldfarb

Morris Goldfarb,
Chief Executive Officer
and President

April 3, 2017

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

Signature	Title	Date
/s/ Morris Goldfarb Morris Goldfarb	Director, Chairman of the Board and Chief Executive Officer (principal executive officer)	April 3, 2017
/s/ Neal S. Nackman Neal S. Nackman	Chief Financial Officer (principal financial and accounting officer)	April 3, 2017
/s/ Sammy Aaron Sammy Aaron	Director, Vice Chairman and President	April 3, 2017
/s/ Thomas J. Brosig Thomas J. Brosig	Director	April 3, 2017
/s/ Alan Feller Alan Feller	Director	April 3, 2017
/s/ Jeffrey Goldfarb Jeffrey Goldfarb	Director	April 3, 2017
/s/ Jeanette Nostra Jeanette Nostra	Director	April 3, 2017
/s/ Laura Pomerantz Laura Pomerantz	Director	April 3, 2017
/s/ Allen Sirkin Allen Sirkin	Director	April 3, 2017
/s/ Willem van Bokhorst Willem van Bokhorst	Director	April 3, 2017
/s/ Cheryl Vitali Cheryl Vitali	Director	April 3, 2017
/s/ Richard White Richard White	Director	April 3, 2017

EXHIBIT INDEX

10.18	Lease, dated August 1, 2006, between 240 West 40th LLC. and The Donna Karan Company LLC.
10.19	Lease, dated December 7, 2011, between 400 Commerce Boulevard LLC. and The Donna Karan Company LLC.
21	Subsidiaries of G-III.
23.1	Consent of Independent Registered Public Accounting Firm, Ernst & Young LLP.
31.1	Certification by Morris Goldfarb, Chief Executive Officer of G-III Apparel Group, Ltd., pursuant to Rule 13a – 14(a) or Rule 15d – 14(a) of the Securities Exchange Act of 1934, as amended, in connection with G-III Apparel Group, Ltd.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2017.
31.2	Certification by Neal S. Nackman, Chief Financial Officer of G-III Apparel Group, Ltd., pursuant to Rule 13a – 14(a) or Rule 15d – 14(a) of the Securities Exchange Act of 1934, as amended, in connection with G-III Apparel Group, Ltd.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2017.
32.1	Certification by Morris Goldfarb, Chief Executive Officer of G-III Apparel Group, Ltd., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with G-III Apparel Group, Ltd.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2017.
32.2	Certification by Neal S. Nackman, Chief Financial Officer of G-III Apparel Group, Ltd., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with G-III Apparel Group, Ltd.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2017.
101.INS	XBRL Instance Document.
101.SCH	XBRL Schema Document.
101.CAL	XBRL Calculation Linkbase Document.
101.DEF	XBRL Extension Definition.
101.LAB	XBRL Label Linkbase Document.
101.PRE	XBRL Presentation Linkbase Document.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULE
(Item 15(a)) G-III Apparel Group, Ltd. and Subsidiaries

All other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, accordingly, are omitted.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
of G-III Apparel Group, Ltd.

We have audited the accompanying consolidated balance sheets of G-III Apparel Group, Ltd. and subsidiaries as of January 31, 2017 and 2016, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended January 31, 2017. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 consolidated financial position of G-III Apparel Group, Ltd. and subsidiaries at January 31, 2017 and 2016, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 31, 2017, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), G-III Apparel Group, Ltd.'s internal control over financial reporting as of January 31, 2017, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 31, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
April 3, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of G-III Apparel Group, Ltd.

We have audited G-III Apparel Group, Ltd. and subsidiaries' internal control over financial reporting as of January 31, 2017, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). G-III Apparel Group, Ltd. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Donna Karan International, Inc., which is included in the fiscal year 2017 consolidated financial statements of G-III Apparel Group, Ltd. and subsidiaries and constituted 7.3% of total assets, as of January 31, 2017 and 1.2% of net sales for the year then ended. Our audit of internal control over financial reporting of G-III Apparel Group, Ltd. and subsidiaries also did not include an evaluation of the internal control over financial reporting of Donna Karan International, Inc.

In our opinion, G-III Apparel Group, Ltd. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of January 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of G-III Apparel Group, Ltd. and subsidiaries as of January 31, 2017 and 2016, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended January 31, 2017 of G-III Apparel Group, Ltd. and subsidiaries, and our report dated March 31, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
April 3, 2017

G-III Apparel Group, Ltd. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	January 31, 2017	January 31, 2016
	(In thousands, except per share amounts)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 79,957	$ 132,587
Accounts receivable, net of allowances for doubtful accounts and sales discounts of $95,686 and $74,261, respectively	263,881	221,500
Inventories	483,269	485,311
Prepaid income taxes	8,885	23,347
Deferred income taxes, net	—	17,564
Prepaid expenses and other current assets	46,946	22,131
Total current assets	882,938	902,440
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	61,171	25,662
PROPERTY AND EQUIPMENT, NET	102,571	103,579
OTHER ASSETS	36,181	24,886
OTHER INTANGIBLES, NET	48,558	10,799
DEFERRED INCOME TAX ASSETS, NET	15,849	—
TRADEMARKS, NET	435,414	67,267
GOODWILL	269,262	49,437
TOTAL ASSETS	$ 1,851,944	$ 1,184,070
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Income tax payable	$ 2,242	—
Accounts payable	217,902	173,586
Accrued expenses	95,275	71,218
Total current liabilities	315,419	244,804
NOTES PAYABLE, net of note discount and unamortized issuance costs of $54,365 and $0, respectively	461,756	—
DEFERRED INCOME TAX LIABILITIES, NET	14,300	23,840
OTHER NON-CURRENT LIABILITIES	39,233	27,299
TOTAL LIABILITIES	830,708	295,943
STOCKHOLDERS' EQUITY		
Preferred stock; 1,000 shares authorized; No shares issued and outstanding		
Common stock – $.01 par value; 120,000 shares authorized; 49,016, and 46,212 shares issued	253	229
Additional paid-in capital	437,777	353,739
Accumulated other comprehensive loss	(27,722)	(23,689)
Retained earnings	612,418	560,491
Common stock held in treasury, at cost – 376 and 667 shares respectively	(1,490)	(2,643)
TOTAL STOCKHOLDERS' EQUITY	1,021,236	888,127
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,851,944	$ 1,184,070

The accompanying notes are an integral part of these statements.

G-III Apparel Group, Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Year Ended January 31		
	2017	2016	2015
	(In thousands, except per share amounts)		
Net sales	$2,386,435	$2,344,142	$2,116,855
Cost of goods sold	1,545,574	1,505,504	1,359,596
Gross profit	840,861	838,638	757,259
Selling, general and administrative expenses	704,436	628,762	571,990
Depreciation and amortization	32,481	25,392	20,374
Asset impairments	10,480	—	—
Operating profit	93,464	184,484	164,895
Other income (loss)	(27)	1,340	11,488
Interest and financing charges, net	(15,675)	(6,691)	(7,942)
Income before income taxes	77,762	179,133	168,441
Income tax expense	25,824	64,800	59,450
Net income	51,938	114,333	108,991
Add: Loss attributable to noncontrolling interest	—	—	1,370
Income attributable to G-III	$ 51,938	$ 114,333	$ 110,361
NET INCOME PER COMMON SHARE:			
Basic:			
Net income per common share	$ 1.12	$ 2.52	$ 2.55
Weighted average number of shares outstanding	46,308	45,328	$ 43,298
Diluted:			
Net income per common share	$ 1.10	$ 2.46	$ 2.48
Weighted average number of shares outstanding	47,394	46,512	44,424
Net income attributable to G-III	$ 51,938	$ 114,333	$ 110,361
Other comprehensive income (loss):			
Foreign currency translation adjustments	(4,033)	(13,584)	(16,270)
Other comprehensive income (loss)	(4,033)	(13,584)	(16,270)
Comprehensive income	$ 47,905	$ 100,749	$ 94,091

The accompanying notes are an integral part of these statements.

G-III Apparel Group, Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Common Stock Held in Treasury	Total
			(In thousands)			
Balance as of January 31, 2014	$ 209	$184,852	$ 6,165	$335,786	$ (3,899)	$ 523,113
Equity awards exercised/vested, net	3	725	—	—	—	728
Adjustments related to tax withholding for share-based compensation	—	(4,316)	—	—	—	(4,316)
Tax benefit from exercise/vesting of equity awards	—	6,732	—	—	—	6,732
Amortization of share-based compensation	—	12,224	—	—	—	12,224
Shares issued in connection with public offering, net	18	128,668	—	—	—	128,686
Effect of exchange rate changes	—		(16,270)	—	—	(16,270)
Net income attributable to G-III	—	—	—	110,361	—	110,361
Balance as of January 31, 2015	230	328,885	(10,105)	446,147	(3,899)	761,258
Equity awards exercised/vested, net	(1)	(838)	—	—	1,256	417
Tax benefit from exercise/vesting of equity awards	—	10,127	—	—	—	10,127
Amortization of share-based compensation	—	15,576	—	—	—	15,576
Effect of exchange rate changes	—	—	(13,584)	—	—	(13,584
Net income attributable to G-III	—	—	—	114,333	—	114,333
Balance as of January 31, 2016	229	353,750	(23,689)	560,480	(2,643)	888,127
Equity awards exercised/vested, net	(2)	(892)	—	—	1,153	259
Adjustments related to tax withholding for share-based compensation	—	(6,956)	—	—	—	(6,956)
Shares issued to LVMH in connection with the DKI Acquisition	26	74,974	—	—	—	75,000
Amortization of share-based compensation	—	16,901	—	—	—	16,901
Effect of exchange rate changes	—	—	(4,033)	—	—	(4,033)
Net income attributable to G-III	—	—	—	51,938	—	51,938
Balance as of January 31, 2017	$ 253	$437,777	$ (27,722)	$612,418	$ (1,490)	$1,021,236

The accompanying notes are an integral part of these statements.

G-III Apparel Group, Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended January 31,		
	2017	2016	2015
	(In thousands)		
Cash flows from operating activities			
Net income	$ 51,938	$114,333	$108,991
Adjustments to reconcile net income to net cash provided by operating activities, net of assets and liabilities acquired:			
Depreciation and amortization	32,481	25,392	20,374
Asset impairments	10,480	—	—
Gain on repurchase of unsecured promissory notes	—	—	(1,893)
Change in contingent purchase price payable	—	(899)	(4,186)
Gain on the sale of joint venture interest	—	—	(1,908)
Equity based compensation	16,901	15,576	12,224
Deferred financing charges	5,157	845	895
Deferred income taxes	(7,319)	3,590	863
Loss on disposal of fixed assets	3,201	625	275
Equity loss (gain) on investment	27	(272)	—
Changes in operating assets and liabilities:			
Accounts receivable, net	(29,310)	(23,616)	(37,568)
Inventories, net	12,633	(59,908)	(69,765)
Income taxes, net	14,233	(16,833)	289
Prepaid expenses and other current assets	(6,300)	725	(2,563)
Other assets, net	(10,863)	(97)	(1,494)
Accounts payable, accrued expenses and other liabilities	12,436	14,835	64,105
Net cash provided by operating activities	105,695	74,296	88,639
Cash flows from investing activities			
Investment in unconsolidated affiliate	(35,432)	(25,490)	—
Acquisition, net of cash acquired	(465,403)	—	—
Proceeds from sale of interest in joint venture, net	—	—	2,695
Proceeds from sale of a retail store	—	—	516
Capital expenditures	(24,928)	(42,172)	(42,566)
Net cash used in investing activities	(525,763)	(67,662)	(39,355)
Cash flows from financing activities			
Proceeds from sale of common stock, net	—	—	128,686
Proceeds from term loan, net	283,204	—	—
Proceeds from borrowings new revolving credit facility, net	111,466	—	—
Repayment of borrowings old revolving credit facility	(20,344)	—	(48,039)
Repurchase of unsecured promissory notes	—	—	(17,721)
Noncontrolling interest investment, net	—	—	—
Proceeds from exercise of equity awards	260	417	729
Taxes paid for net share settlement	(6,955)	—	(4,316)
Net cash provided by financing activities	367,631	417	59,339
Foreign currency translation adjustments	(193)	(2,818)	(2,360)
Net increase (decrease) in cash and cash equivalents	(52,630)	4,233	106,263
Cash and cash equivalents at beginning of year	132,587	128,354	22,091
Cash and cash equivalents at end of year	$ 79,957	$132,587	$128,354
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 21,773	$ 5,544	$ 7,048
Income taxes	18,915	68,067	51,630
Non-cash investing and financing activities:			
Shares of common stock issued to LVMH in connection with the acquisition of DKI	$ 75,000	—	—
Note issued to LVMH in connection with the acquisition of DKI	125,000	—	—

The accompanying notes are an integral part of these statements.

G-III Apparel Group, Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
January 31, 2017, 2016 and 2015

NOTE A — SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

1. Business Activity and Principles of Consolidation

As used in these financial statements, the term "Company" or "G-III" refers to G-III Apparel Group, Ltd. and its subsidiaries. The Company designs, manufactures and markets an extensive range of apparel, including outerwear, dresses, sportswear, swimwear, women's suits and women's performance wear, as well women's handbags, footwear, small leather goods, cold weather accessories and luggage. The Company also operates retail stores.

The Company consolidates the accounts of all its wholly-owned and majority-owned subsidiaries. KL North America BV ("KLNA") is a Dutch limited liability company which is a joint venture that is 49% owned by the Company. Kingdom Holdings 1 B.V. ("KH1") is a Dutch limited liability company that is 19% owned by the Company. These investments are accounted for using the equity method of accounting. All material intercompany balances and transactions have been eliminated. Vilebrequin International SA ("Vilebrequin"), a Swiss corporation, which is wholly-owned by the Company, KH1 and KLNA report results on a calendar year basis rather than on the January 31 fiscal year basis used by the Company. Accordingly, the results of Vilebrequin, KH1 and KLNA are, and will be, included in the financial statements for the year ended or ending closest to the Company's fiscal year. For example, with respect to the Company's results for the year ended January 31, 2017, the results of Vilebrequin, KH1 and KLNA are included for the year ended December 31, 2016.

Certain reclassifications have been made to the Condensed Consolidated Statements of Cash Flows as a result of the Company's electing to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using a retrospective transition method as prescribed by Accounting Standard Update ("ASU") 2016-09. This change resulted in a $10.1 and a 7.0 million decrease in net cash used in operating activities and a corresponding decrease in net cash provided by financing activities in the accompanying Condensed Consolidated Statement of Cash Flows for the period ended January 31, 2016 and 2015 respectively, compared to the amounts previously reported.

2. Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

3. Revenue Recognition

Goods are shipped to retailers in accordance with specific customer orders. The Company recognizes wholesale sales when the risks and rewards of ownership have transferred to the customer, determined by the Company to be when title to the merchandise passes to the customer.

In addition, the Company acts as an agent in brokering sales between customers and overseas factories. On these transactions, the Company also recognizes commission fee income on sales that are financed by and shipped directly to the customers. Title to goods shipped by overseas vendors transfers to customers when the goods have been delivered to the customer. The Company also recognizes commission income upon the completion of the delivery by its vendors to the customer.

The Company recognizes retail sales upon customer receipt of the merchandise, generally at the point of sale. The Company's sales are recorded net of applicable sales taxes.

Both wholesale revenues and retail store revenues are shown net of returns, discounts and other allowances.

4. Returns and Allowances

The Company reserves against known chargebacks and returns by customers. The Company establishes these reserves for returns and allowances based on current and historical information and trends. Allowances are established for trade discounts, markdowns, customer advertising agreements and operational chargebacks. Estimated costs associated with allowable deductions for customer advertising expenses are reflected as selling, general and administrative expenses. Estimated costs associated with trade discounts and markdowns, and reserves for returns are reflected as a reduction of net sales. All of these reserves are part of the allowances netted against accounts receivable. The Company estimates an allowance for doubtful accounts based on the creditworthiness of its customers as well as general economic conditions. The Company writes off uncollectible trade receivables once collection efforts have been exhausted.

5. Inventories

Wholesale inventories are stated at the lower of cost (determined by the first-in, first-out method) or market which comprises a significant portion of the Company's inventory. G.H. Bass and Wilsons inventories are valued at the lower of cost or market as determined by the retail inventory method. DKI and Vilebrequin inventories are stated at the lower of cost (determined by the weighted average method) or market.

6. Goodwill and Other Intangibles

Goodwill represents the excess of purchase price over the fair value of net assets acquired in business combinations accounted for under the purchase method of accounting. Goodwill and certain intangible assets deemed to have indefinite lives are not amortized, but are subject to annual impairment tests using a test combining a discounted cash flow approach and a market approach. Other intangibles with determinable lives, including license agreements, trademarks and customer lists are amortized on a straight-line basis over the estimated useful lives of the assets (currently ranging from 3 to 17 years). Impairment losses, if any, on intangible assets with finite lives are recorded when indicators of impairment are present and the discounted cash flows estimated to be derived from those assets are less than the carrying amounts of the assets.

7. Depreciation and Amortization

Property and equipment are recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the life of the lease or the useful life of the improvement, whichever is shorter.

8. Impairment of Long-Lived Assets

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360, Property, Plant and Equipment, the Company annually evaluates the carrying value of its long-lived assets to determine whether changes have occurred that would suggest that the carrying amount of such assets may not be recoverable based on the estimated future undiscounted cash flows of the businesses to which the assets relate. Any impairment loss would be equal to the amount by which the carrying value of the assets exceeded its fair value.

In fiscal 2017, the Company recorded a $10.5 million impairment charge with respect to leasehold improvements and furniture and fixtures at certain of our Wilsons and G.H. Bass stores as a result of the performance in these stores.

9. Income Taxes

The Company accounts for income taxes and uncertain tax positions in accordance with ASC Topic 740 — Income Taxes. ASC 740 prescribes a recognition threshold and measurement attribute for the

financial statement recognition and measurement of a tax position taken or expected to be taken in a return, as well as guidance on de-recognition, classification, interest and penalties and financial statement reporting disclosures.

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

10. Net Income Per Common Share

On April 1, 2015, the Board of Directors approved a two-for-one stock split of the Company's outstanding shares of common stock, effected in the form of a stock dividend. The stock dividend was paid to stockholders of record as of the close of market on April 20, 2015 and was effected on May 1, 2015. All share and per share information has been retroactively adjusted to reflect this stock split.

Basic net income per common share has been computed using the weighted average number of common shares outstanding during each period. Diluted net income per share is computed using the weighted average number of common shares and potential dilutive common shares, consisting of unvested restricted stock unit awards and stock options outstanding during the period. Approximately 384,000, 165,000 and 160,000 shares for the years ended January 31, 2017, 2016 and 2015, respectively, have been excluded from the diluted net income per share calculation as they relate to equity based awards that vest based on performance conditions and for which the vesting conditions have not been met at the end of the period. The Company issued 194,618, 270,630 and 620,036 shares of common stock in connection with the exercise or vesting of equity awards during the years ended January 31, 2017, 2016 and 2015, respectively. In addition, the Company re-issued 291,181 and 317,143 treasury shares in connection with the vesting of equity awards in fiscal 2017 and fiscal 2016, respectively.

The following table reconciles the numerators and denominators used in the calculation of basic and diluted net income per share:

	Year Ended January 31		
	2017	2016	2015
	(In thousands, except per share amounts)		
Net income attributable to G-III	$ 51,938	$ 114,333	$ 110,361
Basic net income per share:			
Basic common shares	46,308	45,328	43,298
Basic net income per share	$ 1.12	$ 2.52	$ 2.55
Diluted net income per share:			
Basic common shares	46,308	45,328	43,298
Stock options and restricted stock awards	1,086	1,184	1,126
Diluted common shares	47,394	46,512	44,424
Diluted net income per share	$ 1.10	$ 2.46	$ 2.48

11. Equity Award Compensation

ASC Topic 718, Compensation — Stock Compensation, requires all share-based payments to employees, including grants of restricted unit stock awards and employee stock options, to be recognized as compensation expense over the service period (generally the vesting period) based on their fair values. The impact of forfeitures that may occur prior to vesting is estimated and considered in the amount recognized. Restricted stock unit awards generally vest over a three to five year period and certain awards also include market price performance conditions that provide for the award to vest only after the average closing price of the Company's stock trades above a predetermined market level. In addition, certain awards have other

performance conditions that require the achievement of an operating performance target. All awards are expensed on a straight line basis other than awards with market price performance and/or operating performance conditions, which are expensed under the requisite acceleration method.

It is the Company's policy to grant stock options at prices not less than the fair market value on the date of the grant. Option terms, vesting and exercise periods vary, except that the term of an option may not exceed ten years.

On February 1, 2016, the Company adopted Accounting Standard Update 2016-09. The new guidance prescribes that excess tax benefits arising from the lapse or exercise of an equity award are no longer recognized in additional paid in capital. The assumed proceeds from applying the treasury stock method when computing net income per share is amended to exclude the amount of excess tax benefits that would be recognized in additional paid in capital. This change in accounting results in approximately 207,000 additional diluted common shares being included in the diluted net income per share calculation for the year ended January 31, 2017.

12. Cost of Goods Sold

Cost of goods sold includes the expenses incurred to acquire, produce and prepare inventory for sale, including product costs, warehouse staff wages, freight in, import costs, packaging materials, the cost of operating the overseas offices and royalty expense. Gross margins may not be directly comparable to those of the Company's competitors, as income statement classifications of certain expenses may vary by company.

13. Shipping and Handling Costs

Shipping and handling costs for wholesale operations consist of warehouse facility costs, third party warehousing, freight out costs, and warehouse supervisory wages and are included in selling, general and administrative expense. Wholesale shipping and handling costs included in selling, general and administrative expenses were $89.5 million, $73.1 million and $62.4 million for the years ended January 31, 2017, 2016 and 2015, respectively.

Shipping and handling costs for retail operations consist of warehouse facility costs, third party warehousing, and warehouse wages and are included in selling, general and administrative expenses. Retail shipping and handling costs included in selling, general and administrative expenses were $9.6 million, $9.9 million and $8.4 million for the years ended January 31, 2017, 2016 and 2015, respectively.

14. Advertising Costs

The Company expenses advertising costs as incurred and includes these costs in selling, general and administrative expense. Advertising paid as a percentage of sales under license agreements are expensed in the period in which the sales occur or are accrued to meet guaranteed minimum requirements under license agreements. Advertising expense was $89.5 million, $81.9 million and $71.5 million for the years ended January 31, 2017, 2016 and 2015, respectively. Prepaid advertising, which represents advance payments to licensors for minimum guaranteed payments for advertising under the Company's licensing agreements, was $7.8 million and $7.2 million at January 31, 2017 and 2016, respectively.

15. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

16. Fair Value of Financial Instruments

The carrying amount of the Company's variable rate debt approximates the fair value, as interest rates change with the market rates. Furthermore, the carrying value of all other financial instruments potentially subject to valuation risk (principally consisting of cash, accounts receivable and accounts payable) also approximates fair value due to the short-term nature of these accounts.

The 2% note issued to LVMH in connection with the acquisition of Donna Karan International Inc. was issued at a discount of $40.0 million in accordance with ASC 820 — Fair Value Measurements. The fair value of this promissory note would be considered a Level 3 valuation in the fair value hierarchy.

The promissory notes issued in connection with the acquisition of Vilebrequin were valued using the current market interest rate at the time of acquisition. These notes were repurchased by the Company during the fiscal year ended January 31, 2015. In addition, the annual calculation of contingent consideration recorded in connection with the acquisition of Vilebrequin reflected current market conditions at such time. The fair values of both the promissory notes and the contingent consideration would be considered Level 3 valuations in the fair value hierarchy.

17. Derivatives

The Company, in its normal course of business, has exposure to changes in foreign currency exchange rates related to certain anticipated cash flows principally associated with sales to international customers. The Company uses derivative financial instruments in the form of foreign currency forward contracts to manage this exposure. The Company's derivatives are not designated as hedging instruments and are accounted for as economic hedges. Derivatives are recognized gross as either assets or liabilities in the Consolidated Balance Sheets and are measured at fair value. Changes in fair value of derivatives not designated as accounting hedges are presented in net revenue along with the corresponding foreign exchange gains and losses related to the items being hedged within the Consolidated Statements of Operations and Comprehensive Income. The Company classifies the payments and/or proceeds from the maturity of these derivatives within cash flows from operating activities within the Consolidated Statements of Cash Flows. The Company does not enter into derivative financial instruments for speculative or trading purposes. As of January 31, 2017 all of the Company's derivatives mature within one year.

18. Foreign Currency Translation

The Company's international subsidiaries use different functional currencies, which are the local selling currency. In accordance with the authoritative guidance, assets and liabilities of the Company's foreign operations are translated from foreign currency into U.S. dollars at period-end rates, while income and expenses are translated at the weighted-average exchange rates for the period. The related translation adjustments are reflected as a foreign currency translation adjustment in accumulated other comprehensive income (loss) within stockholders' equity.

19. Effects of Recently Issued Accounting Pronouncements

Recently Adopted Accounting Guidance

In March 2016, the FASB issued Accounting Standards Update ("ASU") 2016-09, "Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 simplifies various aspects related to share-based payments. The Company elected to early-adopt ASU 2016-09 with an effective date of February 1, 2016. Under previous guidance, excess tax benefits and deficiencies from stock-based compensation arrangements were recorded in equity when the awards vested or were settled. ASU 2016-09 requires prospective recognition of excess tax benefits and deficiencies in the income statement, resulting in the recognition of excess tax benefits of approximately $3.1 million in income tax expense, or $0.07 per diluted share, rather than in paid-in capital, for the year ended January 31, 2017 ("fiscal 2017"). The Company has elected to account for forfeitures as they occur.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740) — Balance Sheet Classification of Deferred Taxes." Prior to ASU 2015-17, GAAP required an entity to separate deferred income tax asset and liabilities into current and noncurrent amounts on the balance sheet. ASU 2015-17 requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. ASU 2015-17 is effective for annual and interim periods beginning after December 15, 2016 and early adoption is permitted. The Company elected to early adopt ASU 2015-17 for the period ended January 31, 2017. The Company chose to apply the guidance prospectively and prior periods were not retrospectively adjusted.

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern," which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. Further, an entity must provide certain disclosures if there is "substantial doubt about the entity's ability to continue as a going concern." The new guidance became effective for the Company on the fiscal years ended January 31, 2017 and interim periods thereafter. The adoption did not have an impact on the Company's consolidated financial statements.

Accounting Guidance Issued Being Evaluated for Adoption

In January 2017, the FASB issued ASU 2017-04, "Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The purpose of ASU 2017-04 is to simplify the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment should be applied on a prospective basis. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019, including interim periods within that year. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not expect ASU 2017-04 to have an impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business." The purpose of ASU 2017-01 is to clarify the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within that year. The amendments in ASU 2017-01 should be applied prospectively on or after the effective date. Early adoption is permitted. The Company does not expect ASU 2017-01 to have an impact on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." The update requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset upon transfer other than inventory, eliminating the current recognition exception. Prior to the update, GAAP prohibited the recognition of current and deferred income taxes for intra-entity asset transfers until the asset was sold to an outside party. The amendments in this update do not include new disclosure requirements; however, existing disclosure requirements might be applicable when accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. For public business entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. The Company is currently evaluating the effects of ASU 2016-16 on its financial statements and disclosures.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which clarifies guidance with respect to the classification of eight specific cash flow issues. ASU 2016-15 was issued to reduce diversity in practice and prevent financial statement restatements. Cash flow issues include; debt prepayment or debt extinguishment costs, settlement of zero-coupon bonds, contingent consideration payments made after a business combination, proceeds

from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies and bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Under the provision, entities must apply the guidance retrospectively to all periods presented but may apply it prospectively if retrospective application would be impracticable. The Company is currently evaluating the provisions of ASU 2016-15.

In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing." The guidance clarifies two aspects of Topic 606: (i) identifying performance obligations and (ii) providing licensing implementation guidance, while retaining the related principles for those areas. Topic 606 includes implementation guidance on (a) contracts with customers to transfer goods and services in exchange for consideration and (b) determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). The amendments in this update are intended to render more detailed implementation guidance with the expectation of reducing the degree of judgment necessary to comply with Topic 606. The FASB continues to clarify this guidance and most recently issued ASU 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," ASU 2016-12, "Narrow-Scope Improvements and Practical Expedients," and ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers." These new standards have the same effective date as ASU 2014-09 and will be effective for public entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The Company has not yet determined which method they will utilize with respect to the implementation of the new guidance. The Company has created a committee that is in the process of evaluating the potential differences that would result from applying the requirements of the new standard to its current accounting policies and practices. While the Company continues to evaluate the impact of the new revenue guidance, the Company currently believes, based on a preliminary assessment, that the adoption of Topic 606 will primarily impact net sales of its wholesale operations. However, preliminary assessments are subject to change.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The primary difference between the current requirement under GAAP and ASU 2016-02 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. ASU 2016-02 requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are for the most part similar to those applied in current lease accounting. ASU 2016-02 may be adopted using a modified retrospective transition, and provides for certain practical expedients. Transactions will require application of the new guidance at the beginning of the earliest comparative period presented. The guidance is effective for public entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the potential impact of ASU 2016-02 on its consolidated financial statements and expects that it will result in a significant increase to its long-term assets and liabilities.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." This standard modifies how

entities measure equity investments and present changes in the fair value of financial liabilities; simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; changes presentation and disclosure requirements; and clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early application is permitted. The Company does not expect that the adoption of this ASU will have a significant impact on its statement of operations.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330) — Simplifying the Measurement of Inventory." Under this standard, inventory will be measured at the "lower of cost and net realizable value" and options that currently exist for "market value" will be eliminated. The standard defines net realizable value as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation." No other changes were made to the current guidance on inventory measurement. This guidance is effective for interim and annual periods beginning after December 15, 2016. Early adoption is permitted and should be applied prospectively. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

NOTE B — INVENTORIES

Inventories consist of:

	January 31,	
	2017	2016
	(In thousands)	
Finished goods	$483,085	$484,805
Raw materials and work-in-process	184	506
	$483,269	$485,311

Inventory held on consignment by third parties totaled $2.8 million at January 31, 2017. No inventory was held on consignment at January 31, 2016. The Company retains the title to its inventory stored at third party facilities.

NOTE C — PROPERTY AND EQUIPMENT

Property and equipment consist of:

		January 31,	
		2017	2016
		(In thousands)	
Machinery and equipment	5 years	$ 1,376	$ 1,820
Leasehold improvements	3 – 13 years	82,658	78,082
Furniture and fixtures	3 – 5 years	79,292	70,899
Computer equipment and software	2 – 3 years	15,907	12,909
		179,233	163,710
Less: accumulated depreciation		76,662	60,131
		$102,571	$103,579

The Company had fixed asset write offs of approximately $3.2 million and $618,000, net of accumulated depreciation, for the years ended January 31, 2017 and 2016. Depreciation expense was $29.6 million, $23.0 million and $17.9 million for the years ended January 31, 2017, 2016 and 2015, respectively. For the year ended January 31, 2017, the Company recorded a $10.5 million impairment charge on leasehold improvements and furniture and fixtures of certain of our Wilsons and G.H. Bass stores as a result of the stores' performance.

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the evaluation process, the Company first compares the carrying value of the asset to the estimated future cash flows (undiscounted and without interest charges - plus proceeds expected from disposition, if any). If the estimated undiscounted cash flows are less than the carrying value of the asset, the Company needs to determine the fair value of the assets. The Company compares the carrying value of the asset to the asset's estimated fair value. If the fair value is less than the carrying value, the Company recognizes an impairment loss. The carrying amount of the asset is reduced to the estimated fair value based on a discounted cash flow valuation. Assets to be disposed of are reported at the lower of the carrying amount of the asset or fair value less costs to sell. The Company reviews retail store assets for potential impairment based on historical cash flows, lease termination provisions and forecasted future retail store operating results. If the Company recognizes an impairment loss for a depreciable long-lived asset, the adjusted carrying amount of the asset becomes its new cost basis and will be depreciated (amortized) over the remaining useful life of that asset.

NOTE D — ACQUISITIONS AND INTANGIBLES

Acquisition of Donna Karan International Inc.

On December 1, 2016, G-III acquired all of the outstanding capital stock of Donna Karan International Inc. ("DKI") from LVMH Moet Hennessy Louis Vuitton Inc. ("LVMH"), pursuant to a Stock Purchase Agreement (the "Purchase Agreement"), dated July 22, 2016, by and between the Company and LVMH, for a total purchase price, including adjustments, of approximately $669.8 million. DKI owns some of the world's most iconic and recognizable power brands including Donna Karan and DKNY.

DKI sells its products through department stores, specialty and online retailers worldwide, as well as through company-owned retail stores and an e-commerce site. The acquisition of DKI strengthens and diversifies the Company's brand portfolio and offers additional opportunities to expand G-III's business through the development of the DKNY and Donna Karan brands and product categories.

Purchase price consideration

The purchase price of $669.8 million, after taking into account certain adjustments, was paid by a combination of (i) cash, (ii) 2,608,877 newly issued shares of the Company's common stock valued at $75.0 million and (iii) a note (the "LVMH Note") issued to LVMH in the principal amount of $125.0 million. The cash portion of the purchase price was paid from the proceeds of a term loan facility and revolving credit facility. The purchase price has been revised to include adjustments in accordance with the Purchase Agreement.

Please see Note E, "Notes payable and other liabilities" and Note H "Stockholders' equity" for further discussion of these aspects of the acquisition.

The total consideration paid for the acquisition of DKI is as follows (in thousands):

Initial Purchase Price	$650,000
plus: 338(h)(10) tax election adjustment	33,500
plus: aggregate adjustments to purchase price	26,278
Minus: LVMH Note discount	(40,000)
Total consideration	$669,778

G-III Apparel Group, Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Allocation of the purchase price consideration

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

(In thousands)	
Cash and cash equivalents	$ 44,375
Accounts receivable	13,235
Inventories	10,933
Prepaid expenses & other current assets	19,533
Property, plant and equipment	15,760
Goodwill	220,649
Tradenames	370,000
Other intangibles	40,000
Other long-term assets	2,703
Total assets acquired	737,188
Accounts payable	(21,436)
Accrued expense	(38,900)
Income taxes payable	(3,443)
Other long-term liabilities	(3,631)
Total liabilities assumed	(67,410)
Total fair value of acquisition consideration (net of $40 million imputed debt discount)	$669,778

The Company recognized goodwill of approximately $220.6 million in connection with the acquisition of DKI. The goodwill was assigned to the Company's wholesale operations reporting unit as the wholesale operations reporting unit is expected to benefit from the synergies of the combination and from the future growth of DKI. Subsequent to the acquisition, DKI's wholesale operations were fully integrated into G-III's credit and collection platform and both entities are expected to share several processes in the short term such as IT, finance, logistics, human resources, sourcing and overseas quality control. The Purchase Agreement included an option to make an election under Internal Revenue Code Section 338(h)(10). Accordingly, the book and tax basis of the acquired assets and liabilities are the same as of the purchase date and the goodwill is deductible for tax purposes over a 15 year period.

The fair values assigned to identifiable intangible assets acquired were based on assumptions and estimates made by management using unobservable inputs reflecting the Company's own assumptions about the inputs that market participants would use in pricing the asset or liability based on the best information available. The fair values of these identifiable intangible assets were determined using the discounted cash flow method and the Company classifies these intangibles as Level 3 fair value measurements. The Company recorded other intangible assets of $410.0 million, which included customer relationships of $40.0 million (17 year life), as well as tradenames of $370.0 million, which have an indefinite life.

The Company recognized approximately $7.8 million of acquisition related costs that were expensed in fiscal 2017. These acquisition and integration costs are included in "selling, general and administrative expenses" in the Consolidated Statements of Income and Comprehensive Income for the year ended January 31, 2017.

G-III Apparel Group, Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The estimates of fair value of assets acquired and liabilities assumed are preliminary and subject to change based on completion of certain working capital adjustments and the tax implications of our purchase price allocation. The purchase price allocation for acquired companies can be modified for up to one year from the date of acquisition.

The following table represents the reconciliation of the cash paid for the acquisition of DKI with the fair value of the acquisition consideration (in thousands):

Purchase price	$ 669,778
Minus cash acquired and non-cash consideration	
Cash acquired	(44,375)
Note issued to LVMH, net of discount	(85,000)
Common Stock issued to LVMH	(75,000)
Cash disbursed for the acquisition of DKI	$(465,403)

Net Sales, Operating Losses and Pro Forma Impact of the Transaction

The amount of net sales and operating losses of DKI since the acquisition date included in the consolidated statements of income for the reporting period represented $29.5 million and a loss of $13.1 million, respectively.

The following table reflects the unaudited pro forma consolidated results of operations for the periods presented, as though the acquisition of DKI had occurred on February 1, 2015.

	Year Ended January 31,	
	2017[1]	2016
	(unaudited, in thousands)	
Net sales	$2,601,181	$2,840,741
Net income	7,000	61,089
Earnings per share:		
Basic	$ 0.14	$ 1.26
Diluted	0.14	1.23

(1) Includes nonrecurring pro forma adjustments directly attributable to the business combination consisting of the reversal of $7.8 million of professional fees and the reversal of severance expenses of $3.9 million.

The pro forma adjustments are based upon available information and certain assumptions that we consider reasonable. The unaudited pro forma condensed combined financial data is based on preliminary estimates and assumptions set forth in the accompanying notes. Pro forma adjustments are necessary to (i) reflect the changes in depreciation and amortization expense resulting from fair value adjustments to intangible assets, to (ii) reflect interest expense due to incremental borrowings to fund the Acquisition, to (iii) reflect the taxation of G-III's and DKI's combined income as a result of the acquisition, as well as the tax effects related to such pro forma adjustments, (iv) adjust for accounting policy changes to conform to G-III's presentation and to (v) reflect shares issued as part of the purchase price for the acquisition. The pro forma results do not include any realized or anticipated cost synergies or other effects of the integration of DKI. Accordingly, such pro forma amounts are not indicative of the results that actually would have occurred had the acquisition been completed on February 1, 2015, nor are they indicative of the future operating results of the combined company.

G-III Apparel Group, Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Intangible assets balances

Intangible assets consist of:

	Estimated Life	January 31, 2017	January 31, 2016
		(In thousands)	
Gross carrying amounts			
Licenses	14 years	$ 18,846	$ 19,074
Trademarks	8 – 12 years	2,194	2,194
Customer relationships	8 – 17 years	48,071	8,163
Other	3 – 10 years	4,387	4,975
Subtotal		73,498	34,406
Accumulated amortization		(24,921)	(23,540)
		48,577	10,866
Unamortized intangible assets			
Goodwill		269,262	49,437
Trademarks		435,395	67,200
Subtotal		704,657	116,637
Total intangible assets, net		$753,234	$127,503

Changes in the amounts of our goodwill for each of the years ended January 31, 2017 and 2016 are summarized by reportable segment as follows (in thousands):

	Wholesale	Retail	Total
January 31, 2015	$ 51,414	$716	$ 52,130
Currency translation	(2,693)	—	(2,693)
January 31, 2016	48,721	716	49,437
Acquisition	220,649	—	220,649
Currency translation	(824)	—	(824)
January 31, 2017	$268,546	$716	$269,262

Amortization expense with respect to intangibles amounted to approximately $2.5 million, $1.9 million and $2.0 million for the years ended January 31, 2017, 2016 and 2015, respectively.

The estimated amortization expense with respect to intangibles for the next five years is as follows:

Year Ending January 31,	Amortization Expense
	(In thousands)
2018	$ 4,329
2019	3,967
2020	3,828
2021	3,286
2022	3,076

Goodwill represents the excess of the purchase price and related costs over the value assigned to net tangible and identifiable intangible assets of businesses acquired and accounted for under the purchase method. The Company reviews and tests its goodwill and intangible assets with indefinite lives for

impairment at least annually, or more frequently if events or changes in circumstances indicate that the carrying amount of such assets may be impaired. The Company performs the test in the fourth fiscal quarter of each year using a combination of a discounted cash flow analysis and a market approach. The discounted cash flow approach requires that certain assumptions and estimates be made regarding industry economic factors and future profitability. The market approach estimates the fair value based on comparisons with the market values and market multiples of earnings and revenues of similar public companies.

Trademarks and customer relationships having finite lives are amortized over their estimated useful lives and measured for impairment when events or circumstances indicate that the carrying value may be impaired.

NOTE E — NOTES PAYABLE AND OTHER LIABILITIES

Long term debt consists of the following:

	January 31, 2017	January 31, 2016
	(in thousands)	
Term loan	$ 300,000	$—
New revolving credit facility	91,121	—
Note issued to LVMH	125,000	—
Subtotal	516,121	—
Less: Net debt issuance costs and debt discount	(54,365)	—
Total	$ 461,756	$—

Term Loan

In connection with the acquisition of DKI, the Company borrowed $350.0 million under a senior secured term loan facility (the "Term Loan"). The Term Loan will mature in December 2022. The Term Loan is subject to amortization payments of 0.625% of the original aggregate principal amount of the Term Loan per quarter, with the balance due at maturity. On December 1, 2016, the Company prepaid $50.0 million in principal amount of the Term Loan. This prepayment relieves G-III of its obligation to make quarterly amortization payments for the remainder of the term.

Interest on the outstanding principal amount of the Term Loan accrues at a rate equal to LIBOR, subject to a 1% floor, plus an applicable margin of 5.25% or an alternate base rate (defined as the greatest of (i) the "prime rate" as published by the Wall Street Journal from time to time, (ii) the federal funds rate plus 0.5% or (iii) the LIBOR rate for a borrowing with an interest period of one month) plus 4.25%, per annum, payable in cash.

The Term Loan is secured (i) on a first-priority basis by a lien on the Company's real estate assets, equipment and fixtures, equity interests and intellectual property and certain related rights owned by the Company and by certain of the Company's subsidiaries and (ii) by a second-priority security interest in other assets of the Company and certain of its subsidiaries, which secure on a first-priority basis the Company's asset-based loan facility described below under the caption "New Revolving Credit Facility".

The term loan contains covenants that restrict the Company's ability to among other things, incur additional debt, sell or dispose certain assets, make certain investments, incur liens and enter into acquisitions. This loan also includes a mandatory prepayment provision on excess cash flow as defined within the agreement. A first lien leverage covenant requires the Company to maintain a level of debt to EBITDA at a ratio as defined over the term of the agreement. As of January 31, 2017 the Company was in compliance with this covenant.

The Term Loan may be prepaid, at the option of the Company, in whole or in part, at any time at par plus accrued interest, and, in the case of prepayments from the proceeds of certain refinancings prior to December 1, 2017, subject to a 1% prepayment fee. The Term Loan is required to be prepaid with the proceeds of certain asset sales if such proceeds are not applied as required by the Term Loan Credit Agreement within certain specified deadlines. The Term Loan is also required to be prepaid in an amount equal to 75% of the "Excess Cash Flow" (as defined in the Term Loan Credit Agreement) of the Company with respect to each fiscal year ending on or after January 31, 2018. The percentage of Excess Cash Flow that must be so applied is reduced to 50% if the Company's senior secured leverage ratio is less than 3.00 to 1.00, to 25% if the Company's senior secured leverage ratio is less than 2.75 to 1.00 and to 0% if the Company's senior secured leverage ratio is less than 2.25 to 1.00.

The Company also incurred debt issuance costs totaling $18.3 million related to the Term Loan, of which $2.6 million have been expensed in connection with the $50 million prepayment. In accordance with ASU 2015-15, the debt issuance costs have been deferred and are presented as a contra-liability, offsetting the outstanding balance of the term loan, and are amortized using the effective interest method over the remaining life of the Term Loan.

The weighted average interest rate for amounts borrowed under the Term Loan was 6.25% for the two month period ended January 31, 2017. A 0.25% change in the interest rates applied to the Term Loan would change annual interest expense under the Term Loan by approximately $750,000.

New Revolving Credit Facility

Upon closing of the acquisition of DKI, the Company's previous credit agreement (the "old revolving credit facility") was refinanced and replaced by a $650 million amended and restated credit agreement (the "new revolving credit facility"). Amounts available under the new revolving credit facility are subject to borrowing base formulas and over advances as specified in the new revolving credit facility agreement. Borrowings bear interest, at the Company's option, at LIBOR plus a margin of 1.25% to 1.75% or an alternate base rate (defined as the greatest of (i) the "prime rate" of JPMorgan Chase Bank, N.A. from time to time, (ii) the federal funds rate plus 0.5% or (iii) the LIBOR rate for a borrowing with an interest period of one month) plus a margin of 0.25% to 0.75%, with the applicable margin determined based on the availability under the new revolving credit facility agreement. The new revolving credit facility has a five year term ending December 1, 2021.

In addition to paying interest on any outstanding borrowings under the new revolving credit facility, the Company is required to pay a commitment fee to the lenders under the credit agreement with respect to the unutilized commitments. The commitment fee shall accrue at a rate equal to 0.25% per annum on the average daily amount of the available commitment.

The Company also incurred debt issuance costs totaling $12.4 million related to the new revolving credit facility. As permitted under ASU 2015-15, the debt issuance costs have been deferred and are presented as an asset which is subsequently amortized ratably over the term of the new revolving credit facility.

The new revolving credit facility is secured by specified assets of the Company and certain of its subsidiaries.

The new revolving credit facility contains a number of covenants that, among other things, restrict the Company's ability, subject to specified exceptions, to incur additional debt; incur liens; sell or dispose of assets; merge with other companies; liquidate or dissolve itself; acquire other companies; make loans, advances, or guarantees; and make certain investments. In certain circumstances, the new revolving credit facility also requires G-III to maintain a minimum fixed charge coverage ratio, as defined, that should not exceed 1.00 to 1.00 for each period of twelve consecutive fiscal months of holdings. As of January 31, 2017, the Company was in compliance with these covenants.

As of January 31, 2017, interest under the ABL Credit Agreement was being charged at the average rate of 3.19% per annum. The new revolving credit facility also includes amounts available for letters of credit. As of January 31, 2017, the Company had $91.1 million of borrowings outstanding under the new revolving credit facility all of which is classified as long term liability. As of January 31, 2017, there were outstanding trade and standby letters of credit amounting to $10.4 million and $2.4 million, respectively.

LVMH Note

As a portion of the consideration for the acquisition of DKI, the Company issued to LVMH a junior lien secured promissory note in the principal amount of $125.0 million (the "LVMH Note") that bears interest at the rate of 2% per year. $75.0 million of the principal amount of the LVMH Note is due and payable on June 1, 2023 and $50.0 million of such principal amount is due and payable on December 1, 2023.

In connection with the issuance of the LVMH Note, LVMH entered into (i) a subordination agreement with Barclays Bank PLC, as administrative agent for the lenders party to the Term Loan and collateral agent for the Senior Secured Parties thereunder and JPMorgan Chase Bank, N.A., as administrative agent for the lenders and other Senior Secured Parties under the new revolving credit facility, providing that the Company's obligations under the LVMH Note are subordinate and junior to the Company's obligations under the new revolving credit facility and the Term Loan, and (ii) a pledge and security agreement with the Company and its subsidiary, G-III Leather Fashions, Inc., pursuant to which The Company and G-III Leather granted to LVMH a security interest in specified collateral to secure the Company's payment and performance of the Company's obligations under the LVMH Note that is subordinate and junior to the security interest granted by the Company with respect to the Company's obligations under the new revolving credit facility agreement and Term Loan.

The LVMH Note was issued at a discount of $40.0 million in accordance with ASC 820 — Fair Value Measurements. The imputed discount is being amortized as interest expense using the effective interest method over the term of the LVMH Note.

Old Revolving Credit Facility

Prior to the acquisition of DKI, the old revolving credit facility consisted of a five-year senior secured credit facility providing for borrowings in the aggregate principal amount of up to $450 million through August 2017. Amounts available under the previous credit agreement were subject to borrowing base formulas and other advances as specified in that credit agreement. Borrowings bore interest, at the Company's option, at LIBOR plus a margin of 1.5% to 2.0% or prime plus a margin of 0.5% to 1.0%, with the applicable margin determined based on availability under the previous credit agreement.

The previous credit agreement was secured by all of the assets of G-III Apparel Group, Ltd. and its subsidiaries, G-III Leather Fashions, Inc., Riviera Sun, Inc., CK Outerwear, LLC, Andrew & Suzanne Company Inc., AM Retail Group, Inc., G-III Apparel Canada ULC, G-III License Company, LLC and AM Apparel Holdings, Inc.

The weighted average interest rate for amounts borrowed under the old revolving credit facility was 2.1% for the period starting February 2, 2016 and ending November 30, 2016, when the old revolving credit facility was replaced by the new revolving credit facility. The weighted average interest rate for amounts borrowed under the old revolving credit facility was 2.1% for the year ended January 31, 2016.

G-III Apparel Group, Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Future Debt Maturities

As of January 31, 2017, the Company's mandatory debt repayments mature in the year ending January 31, 2022 or thereafter.

Year Ending January 31, (In millions)	
2018	$ —
2019	—
2020	—
2021	91,121
2022 and thereafter	425,000

NOTE F — INCOME TAXES

The income tax provision is comprised of the following:

	Year Ended January 31,		
	2017	2016	2015
	(In thousands)		
Current			
Federal	$22,925	$ 47,585	$ 46,989
State and city	4,034	5,910	5,978
Foreign	6,150	7,768	5,688
	33,109	61,263	58,655
Deferred			
Federal	(4,776)	3,458	1,422
State and city	(2,807)	535	(67)
Foreign	298	(456)	(560)
	(7,285)	3,537	795
Income tax expense	$25,824	$ 64,800	$ 59,450
Income before income taxes			
United States	$55,363	$149,578	$133,709
Non-United States	22,399	29,555	34,732
	$77,762	$179,133	$168,441

G-III Apparel Group, Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The significant components of the Company's net deferred tax asset at January 31, 2017 and 2016 are summarized as follows:

	2017	2016
	(In thousands)	
Deferred tax assets		
Compensation	$ 10,323	$ 13,045
Straight-line lease	4,279	3,713
Provision for bad debts and sales allowances	11,919	11,180
Supplemental employee retirement plan	519	378
Inventory write-downs	10,163	3,581
Net operating loss	2,274	1,637
Other	2,343	1,812
Total deferred tax assets	41,820	35,346
Deferred tax liabilities		
Depreciation and amortization	(14,724)	(15,981)
Intangibles	(21,347)	(21,772)
Prepaid expenses and other	(3,383)	(3,362)
Other	(817)	(507)
Total deferred tax liabilities	(40,271)	(41,622)
Net deferred tax assets (liability)	$ 1,549	$ (6,276)

As of January 31, 2017 and 2016, intangible deferred tax liabilities of $13.8 million and $14.3 million, respectively, relate to intangible assets in Switzerland. The remaining intangible assets relate primarily to the U.S.

The following is a reconciliation of the statutory federal income tax rate to the effective rate reported in the financial statements for the years ended January 31:

	2017	2016	2015
Provision for Federal income taxes at the statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of Federal tax benefit	1.0	2.4	2.3
Permanent differences resulting in Federal taxable income	9.6	3.6	2.9
Foreign tax rate differential	(1.7)	(1.4)	0.1
ASC 718 Adoption	(3.8)	—	—
Foreign tax credit	(6.5)	(3.1)	(6.5)
Other, net	(0.4)	(0.3)	1.5
Actual provision for income taxes	33.2%	36.2%	35.3%

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately $32 million at January 31, 2017. Those earnings are considered indefinitely reinvested and, accordingly, no provision for U.S. income taxes has been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries, as applicable. At this point in time it is not practical to estimate the amount of taxes payable if the earnings were remitted.

G-III Apparel Group, Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits (excluding interest and penalties) is as follows:

	2017	2016	2015
Balance at February 1,	1,094	1,094	1,094
Additions based on tax positions related to the current year	0	0	0
Additions for tax positions of prior years	0	0	0
Reductions for tax positions of prior years	0	0	0
Settlements	0	0	0
Lapses of statutes of limitations	0	0	0
Balance at January 31,	1,094	1,094	1,094

The Company accounts for uncertain income tax positions in accordance with ASC Topic 740 Income Taxes. The Company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. As of January 31, 2017, there was an increase in the unrecognized tax position reserve of approximately $125,000 for the current year accrual of interest and penalties on existing uncertain income tax positions reserves.

The Company's policy on classification is to include interest in "interest and financing charges" and penalties in "selling, general and administrative expense" in the accompanying Consolidated Statements of Income. The Company and certain of its subsidiaries are subject to U.S. Federal income tax as well as income tax of multiple state, local, and foreign jurisdictions. One of its foreign subsidiaries, T.R.B. International S.A., has a ruling with the Swiss government that taxes commercial foreign sourced income at an 11.6% rate. The ruling was extended to the year ending January 31, 2018.

Of the major jurisdictions, the Company and its subsidiaries are subject to examination in the United States and various foreign jurisdictions for fiscal year 2013 and forward. It is currently under audit examination by New Jersey and Belgium for fiscal year 2010 and forward. We believe that it is reasonably possible that the total amount of unrecognized tax benefits of $1.6 million (inclusive of tax, interest and penalties) will not change during the next twelve months due to the applicable statutes of limitations.

NOTE G — COMMITMENTS AND CONTINGENCIES

Lease Agreements

The Company leases warehousing, executive and sales facilities, retail stores, equipment and vehicles under operating leases with options to renew at varying terms. Leases with provisions for increasing rents have been accounted for on a straight-line basis over the life of the lease.

Certain leases provide for contingent rents, which are determined as a percentage of gross sales. The Company records a contingent rent liability in accrued expenses on the Consolidated Balance Sheets and the corresponding rent expense on the Consolidated Statements of Income and Comprehensive Income when management determines that achieving the specified levels during the fiscal year is probable.

G-III Apparel Group, Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following schedule sets forth the future minimum rental payments for operating leases having non-cancelable lease periods in excess of one year at January 31, 2017:

Year Ending January 31,	Amount (In thousands)
2018	$ 95,882
2019	93,359
2020	86,243
2021	76,336
2022	63,379
Thereafter	163,799
	$ 578,998

Rent expense on the above operating leases for the years ended January 31, 2017, 2016 and 2015 was approximately $84.7 million, $75.6 million and $72.6 million, respectively.

License Agreements

The Company has entered into license agreements that provide for royalty payments ranging from 4% to 20% of net sales of licensed products. The Company incurred royalty expense (included in cost of goods sold) of approximately $139.0 million, $123.7 million and $109.6 million for the years ended January 31, 2017, 2016 and 2015, respectively. Contractual advertising expense, which is normally based on a percentage of net sales associated with certain license agreements (included in selling, general and administrative expense), was $39.2 million, $36.1 million and $32.1 million for the years ended January 31, 2017, 2016 and 2015, respectively. Based on minimum net sales requirements, future minimum royalty and advertising payments required under these agreements are:

Year Ending January 31,	Amount (In thousands)
2018	$ 143,531
2019	105,884
2020	100,540
2021	83,287
2022	188,095
Thereafter	185,295
	$ 806,632

Legal Proceedings

In the ordinary course of business, the Company is subject to periodic claims, investigations and lawsuits. Although the Company cannot predict with certainty the ultimate resolution of claims, investigations and lawsuits, asserted against the Company, it does not believe that any currently pending legal proceeding or proceedings to which it is a party will have a material adverse effect on its business, financial condition or results of operations.

NOTE H — STOCKHOLDERS' EQUITY

Stock Split

On April 1, 2015, the Board of Directors approved a two-for-one stock split of the Company's outstanding shares of common stock, effected in the form of a stock dividend. The stock dividend was paid to stockholders of record as of the close of market on April 20, 2015 and was effected on May 1, 2015.

All share and per share information has been retroactively adjusted to reflect this stock split.

Public Offering

In June 2014, the Company sold 3,450,000 shares of its common stock, including 450,000 shares sold pursuant to the exercise in full of the underwriters' option to purchase additional shares, at a public offering price of $38.82 per share. The Company received net proceeds of $128.7 million from the offering after payment of underwriting discounts and expenses of the offering. The net proceeds were used for general corporate purposes.

Share Repurchase Program

In December 2015, the Company's Board of Directors reapproved and increased the previously authorized share repurchase program. There were 3,750,000 remaining shares authorized for repurchase under the prior program which the Board increased to 5,000,000 shares. The timing and actual number of shares repurchased, if any, will depend on a number of factors, including market conditions and prevailing stock prices, and are subject to compliance with certain covenants contained in the loan agreement. Share repurchases may take place on the open market, in privately negotiated transactions or by other means, and would be made in accordance with applicable securities laws.

The Company did not repurchase any shares during fiscal 2016 or fiscal 2017.

Long-Term Incentive Stock Plan

As of January 31, 2017, the Company had 1,504,807 shares available for grant under its long-term incentive plan. The plan provides for the grant of equity and cash awards, including restricted stock awards, stock options and other stock unit awards to directors, officers and employees. Restricted stock unit awards vest over a three to five year period. In addition to the time vesting condition, these awards may include stock price and operating performance conditions, including a performance condition based on achievement of a specified stock price and, in certain cases, a condition based on an operating performance target. It is the Company's policy to grant stock options at prices not less than the fair market value on the date of the grant. Option terms, vesting and exercise periods vary, except that the term of an option may not exceed ten years.

Restricted Stock Units

	Awards Outstanding	Weighted Average Grant Date Fair Value
Unvested as of January 31, 2015	2,091,412	$ 23.80
Granted	507,319	$ 47.36
Vested	(549,848)	$ 19.40
Canceled	—	$ —
Unvested as of January 31, 2016	2,048,883	$ 30.79
Granted	630,642	$ 25.82
Vested	(678,164)	$ 22.43
Canceled	(2,500)	$ 17.95
Unvested as of January 31, 2017	1,998,861	$ 31.70

For restricted stock units with stock price performance conditions, the Company estimates the grant date fair value using a lattice model. For restricted stock units with operating performance conditions, the Company estimates the grant date fair value using a Monte Carlo simulation model. This valuation methodology utilizes the closing price of the Company's common stock on grant date and several key

assumptions, including expected volatility of the Company's stock price, and risk-free rates of return. This valuation is performed with the assistance of a third party valuation specialist. For restricted stock units with no performance conditions, grant date fair value is based on the market price on the date of grant.

The Company recognized $16.8 million, $15.6 million and $11.6 million in compensation expense for the years ended January 31, 2017, 2016 and 2015, respectively, related to restricted stock unit grants. At January 31, 2017, 2016 and 2015, unrecognized costs related to the restricted stock units totaled approximately $40.7 million, $42.0 million and $32.2 million, respectively.

Stock Options

Information regarding all stock options for fiscal 2017, 2016 and 2015 is as follows:

	2017		2016		2015	
	Shares	Weighted Average Exercise	Shares	Weighted Average Exercise	Shares	Weighted Average Exercise
Stock options outstanding at beginning of year	331,651	$ 10.59	469,176	$ 11.16	536,976	$ 11.11
Exercised	(20,520)	$ 12.65	(37,525)	$ 11.11	(67,800)	$ 10.76
Granted	—	$ —	—	$ —	—	$ —
Cancelled or forfeited	(60,000)	$ 15.87	(100,000)	$ 13.08	—	$ —
Stock options outstanding at end of year	251,131	$ 9.16	331,651	$ 10.59	469,176	$ 11.16
Exercisable	251,131	$ 9.16	253,151	$ 9.07	250,176	$ 8.63

The following table summarizes information about stock options outstanding:

Range of Exercise Prices	Number Outstanding as of January 31, 2017	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable as of January 31, 2017	Weighted Average Exercise Price
$0.00 – $8.00	113,800	1.24	$ 6.61	113,800	$ 6.61
$8.01 – $12.00	84,265	0.60	$ 9.23	84,265	$ 9.23
$12.01 – $16.00	36,400	4.08	$ 12.98	36,400	$ 12.98
$16.01 – $40.00	16,666	5.19	$ 17.85	16,666	$ 17.85
	251,131			251,131	

The fair value of stock options was estimated using the Black-Scholes option-pricing model. This model requires the input of subjective assumptions that will usually have a significant impact on the fair value estimate. No stock options were granted during the years ended January 31, 2017, January 31, 2016 and January 31, 2015.

The Company is required to recognize stock-based compensation based on the number of awards that are ultimately expected to vest. In connection with the adoption of ASU 2016-09, the Company has elected to account for forfeitures as they occur.

The weighted average remaining term for stock options outstanding was 1.70 years at January 31, 2017. The aggregate intrinsic value at January 31, 2017 was $4.3 million for stock options outstanding and exercisable. The intrinsic value for stock options is calculated based on the exercise price of the underlying awards and the market price of the Company's common stock as of January 31, 2017, the reporting date.

Proceeds received from the exercise of stock options were approximately $260,000 and $417,000 during the years ended January 31, 2017 and 2016, respectively. The intrinsic value of stock options exercised was $936,000 and $1.7 million for the years ended January 31, 2017 and 2016, respectively. A portion of this amount is currently deductible for tax purposes.

The Company recognized approximately $126,000 in compensation expense for the year ended January 31, 2017, $153,000 for the year ended January 31, 2016 and $541,000 for the year ended January 31, 2015, related to equity option award grants. As of January 31, 2017, there is no unamortized option compensation expense to be recorded. No options were granted during the fiscal years ended January 31, 2017, 2016 and 2015.

NOTE I — MAJOR CUSTOMERS

One customer in the wholesale operations segment accounted for approximately 21.8%, 20.8% and 18.7% of the Company's net sales for the years ended January 31, 2017, 2016 and 2015, respectively.

NOTE J — EMPLOYEE BENEFIT PLANS

The Company maintains a 401(k) plan (the "GIII Plan") and trust for non-union employees. The Plan provides for a Safe Harbor (non-discretionary) matching contribution of 100% of the first 3% of the participant's contributed pay plus 50% of the next 2% of the participant's contributed pay. The Company made matching contributions of approximately $2.9 million, $2.3 million and $2.0 million for the years ended January 31, 2017, 2016 and 2015, respectively.

DKI maintains a 401(k) plan and trust for U.S. based non-union employees. The Company matched 50% of the first 7% of the participant's contributed pay for a maximum amount of 3.5% of a participant's eligible compensation. The Company made matching contributions of approximately $52,000 for the month of December 2016. In January 2017, all DKI employees became employees of the Company and were able to participate in the GIII Plan. The Company anticipates merging the two plans during fiscal 2018.

NOTE K — SEGMENTS

The Company's reportable segments are business units that offer products through different channels of distribution. Commencing with the first quarter of fiscal 2016, the Company changed its segment reporting to two reportable segments: wholesale operations and retail operations. The wholesale operations segment mainly consists of the Company's former licensed products and non-licensed products segments and includes sales of products under brands licensed by the Company from third parties, as well as sales of products under the Company's own brands and private label brands. Wholesale sales and revenues from license agreements related to the Donna Karan and DKNY business are included in the wholesale operations segment. The retail operations segment consists primarily of the Wilsons Leather, G.H. Bass and DKNY stores, as well as a limited number of Calvin Klein Performance and Karl Lagerfeld Paris stores. The following information, in thousands, is presented for the fiscal years ended:

	January 31, 2017			
	Wholesale	Retail	Elimination[1]	Total
Net sales	$2,014,386	$474,217	$ (102,168)	$2,386,435
Cost of goods sold	1,382,162	267,427	(104,015)	1,545,574
Gross profit	632,224	206,790	1,847	840,861
Selling, general and administrative	457,785	246,651	—	704,436
Depreciation and amortization	21,483	10,998	—	32,481
Asset impairments	—	10,480	—	10,480
Operating profit (loss)	$ 152,956	$ (61,339)	$ 1,847	$ 93,464

G-III Apparel Group, Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	January 31, 2016			
	Wholesale	Retail	Elimination[1]	Total
Net sales	$1,949,646	$514,027	$ (119,531)	$2,344,142
Cost of goods sold	1,348,109	276,926	(119,531)	1,505,504
Gross profit	601,537	237,101	—	838,638
Selling, general and administrative	398,476	230,286	—	628,762
Depreciation and amortization	17,413	7,979	—	25,392
Operating profit (loss)	$ 185,648	$ (1,164)	$ —	$ 184,484

	January 31, 2015			
	Wholesale	Retail	Elimination[1]	Total
Net sales	$1,745,894	$499,284	$ (128,323)	$2,116,855
Cost of goods sold	1,220,489	267,430	(128,323)	1,359,596
Gross profit	525,405	231,854	—	757,259
Selling, general and administrative	349,535	222,455	—	571,990
Depreciation and amortization	13,454	6,920	—	20,374
Operating profit	$ 162,416	$ 2,479	$ —	$ 164,895

(1) Represents intersegment sales to the Company's retail operations.

The Company allocates overhead to its business segments on various bases, which include units shipped, space utilization, inventory levels, and relative sales levels, among other factors. The method of allocation has been applied consistently on a year-to-year basis.

The total assets for each of the Company's reportable segments, as well as assets not allocated to a segment, are as follows:

	January 31	
	2017	2016
	(In thousands)	
Wholesale	$1,477,259	$ 763,353
Retail	228,352	210,118
Corporate	146,333	210,599
Total Assets	$1,851,944	$1,184,070

The total revenues and long lived assets by geographic region are as follows:

	2017		2016		2015	
Geographic Region	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
			(In thousands)			
United States	$2,180,409	$790,341	$2,157,889	$150,949	$1,956,589	$ 132,822
Non-United States	206,026	178,665	186,253	130,681	160,266	115,030
	$2,386,435	$969,006	$2,344,142	$281,630	$2,116,855	$ 247,852

Capital expenditures for locations outside of the United States totaled $4.6 million in the fiscal year ended January 31, 2017, $4.5 million in the fiscal year ended January 31, 2016, and $6.4 million in the fiscal year ended January 31, 2015.

G-III Apparel Group, Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE L — OTHER INCOME

Other income recognized for the year ended January 31, 2016 includes an $899,000 gain with respect to the revised estimated contingent consideration payable in connection with the acquisition of Vilebrequin and also includes $272,000 of income from the minority interest share in the Karl Lagerfeld North America joint venture.

Other income recognized for the year ended January 31, 2015 includes a $4.2 million gain with respect to the revised estimated contingent consideration payable in connection with the acquisition of Vilebrequin, $3.5 million received as compensation for the early termination of the right to operate Calvin Klein Performance stores in Japan, Taiwan and Singapore, a $1.9 million gain from the sale of the interest in a joint venture that operated Calvin Klein Performance stores in China and a $1.9 million gain related to the repurchase, at a discount, of the unsecured promissory notes issued as part of the consideration for the acquisition of Vilebrequin.

NOTE M — EQUITY INVESTMENT

Investment in Kingdom Holding 1 ("KH1")

In February 2016, the Company acquired a 19% minority interest in KH1, the parent company of the group that holds the worldwide rights to the Karl Lagerfeld brand. The Company paid 32.5€ million (approximately $35.4 million at the date of the transaction). This investment is intended to expand the partnership between the Company and the Karl Lagerfeld brand and extend their business development opportunities on a global scale. The investment in KH1, which is being accounted for under the equity method of accounting, is reflected in Investment in Unconsolidated Affiliates on the Condensed Consolidated Balance Sheets at January 31, 2017.

Investment in Karl Lagerfeld North America ("KLNA")

In June 2015, the Company entered into a joint venture agreement with Karl Lagerfeld Group BV ("KLBV"). The Company paid to KLBV $25.0 million for a 49% ownership interest in KLNA. KLNA holds brand rights to all Karl Lagerfeld trademarks for all consumer products (except eyewear, fragrance, cosmetics, watches, jewelry, and hospitality services) and apparel in the United States, Canada and Mexico. The Company accounts for its investment in KLNA using the equity method of accounting.

NOTE N — RELATED PARTY TRANSACTIONS

Transactions with LVMH

On December 1, 2016, in connection with the acquisition of DKI, the Company issued approximately 2.6 million shares of G-III's common stock to LVMH equal to $75 million. LVHM's holdings represent 5.4% of the Company's outstanding common stock. LVMH is considered a related party as a result of its' beneficial ownership being greater than 5%,

On December 1, 2016, LVMH issued a junior lien secured promissory note in the principal amount of $125.0 million in connection with the acquisition of DKI that bears interest at the rate of 2% per annum. The Company paid interest in the amount of $212,000 to LVHM in fiscal 2017 and has a $212,000 interest payable balance as of January 31, 2017. The Company also has a balance due from LVMH in the amount of $7.3 million as a result of a working capital adjustment pursuant to the purchase agreement. This amount is included in prepaid expenses and other current assets in the accompanying Balance Sheet at January 31, 2017 and has been paid by LVMH in March 2017.

In connection with the purchase of DKI, the Company, at the request of LVMH, agreed to operate a retail store located on Bond Street in the UK. The Company has agreed to operate the store until the earlier of the lease expiration, the termination of the lease by the landlord, or the transfer or assignment of the lease to another entity. LVMH has agreed to reimburse GIII for the cost of operating the store, less depreciation, for the duration of the agreement.

Transaction with Karl Lagerfeld North America

G-III owns a 49% ownership interest in KLNA and is considered a related party (see note M). The Company entered into a licensing agreement to use the brand rights to certain Karl Lagerfeld trademarks held by KLNA. The Company incurred royalty and advertising expense of approximately $4.0 million and $1.0 million for the years ended January 31, 2017 and 2016, respectively. The Company began shipping Karl Lagerfeld product in October 2015, the expense for fiscal 2016 represents approximately four months of activity. The amount of royalty and advertising due to KLNA as of January 31, 2017 and 2016 was approximately $656,000 and $60,000, respectively.

NOTE P — QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for the fiscal years ended January 31, 2017 and 2016 are as follows (in thousands, except per share amounts):

	Quarter Ended			
	April 30, 2016	July 31, 2016	October 31, 2016	January 31, 2017
Net sales	$457,403	$442,267	$ 883,476	$ 603,289
Gross profit	165,669	155,643	321,452	198,097
Net income (loss) attributable to G-III	2,771	(1,293)	70,564	(20,104)
Net income (loss) per common share				
Basic	$ 0.06	$ (0.03)	$ 1.54	$ (0.42)
Diluted	$ 0.06	$ (0.03)	$ 1.50	$ (0.42)

	Quarter Ended			
	April 30, 2015	July 31, 2015	October 31, 2015	January 31, 2016
Net sales	$432,965	$473,884	$ 909,865	$ 527,428
Gross profit	154,427	168,340	337,057	178,814
Net income attributable to G-III	6,760	12,453	87,156	7,964
Net income per common share				
Basic	$ 0.15	$ 0.28	$ 1.92	$ 0.17
Diluted	$ 0.15	$ 0.27	$ 1.87	$ 0.17

G-III Apparel Group, Ltd. and Subsidiaries

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNT
Years ended January 31, 2017, 2016 and 2015

Description	Balance at Beginning of Period	Charges to Cost and Expenses	Deductions (a)	Balance at End of Period
		(In thousands)		
Year ended January 31, 2017				
Deducted from asset accounts				
Allowance for doubtful accounts	$ 1,346	$ 682	$ 836	$ 1,192
Reserve for sales allowances[(b)]	72,915	266,263	244,684	94,494
	$ 74,261	$266,945	$245,520	$ 95,686
Year ended January 31, 2016				
Deducted from asset accounts				
Allowance for doubtful accounts	$ 1,074	$ 515	$ 243	$ 1,346
Reserve for sales allowances[(b)]	52,367	212,145	191,597	72,915
	$ 53,441	$212,660	$191,840	$ 74,261
Year ended January 31, 2015				
Deducted from asset accounts				
Allowance for doubtful accounts	$ 642	$ 584	$ 152	$ 1,074
Reserve for sales allowances[(b)]	54,345	162,233	164,211	53,367
	$ 54,987	$162,817	$164,363	$ 53,441

(a) Accounts written off as uncollectible, net of recoveries.

(b) See Note A in the accompanying Notes to Consolidated Financial Statements for a description of sales allowances.

Exhibit 10.18

Execution Copy

AGREEMENT OF LEASE

between

240 WEST 40TH LLC

Landlord

and

THE DONNA KARAN COMPANY LLC

Tenant

Dated as of August __, 2006

Entire Rentable Area of: Basement, 2nd Floor through 12th Floors and Penthouse
240 West 40th Street
New York, New York

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INDEX OF DEFINED TERMS

LEASE (this "Lease") made as of the _____ day of August 2006 between 240 WEST 40TH LLC having an office c/o Sitt Asset Management LLC, P.O. Box 2300, New York, New York 10116-2300, hereinafter referred to as "Landlord", and THE DONNA KARAN COMPANY LLC, a New York limited liability company, having an office at240 West 40th Street, New York, New York, Attn: Chief Financial Officer, hereinafter referred to as "Tenant".

W I T N E S S E T H

Landlord and Tenant, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby covenant and agree as follows:

ARTICLE 1

DEM ISE; PREMISES AND PURPOSE

1.01 Landlord hereby leases and demises to Tenant, and Tenant hereby hires and takes from Landlord, those certain premises located on and comprising the entire rentable portion of: the basement, the second (2nd) floor, the fourth (4th) through twelfth (12th) floors and the penthouse (the "Existing Premises") and the entire rentable portion of the third (3rd) floor (the "3rd Floor Premises", the Existing Premises and 3rd Floor Premises being collectively referred to herein as the "Premises"), approximately as indicated by hatch marks on the plans annexed hereto and made a part hereof collectively as "**Exhibit A-1**" and "**Exhibit A-2**" in the building known as and located at 240 West 40th Street, New York, New York (the "Building") subject to the provisions of this Lease. This Lease shall not be recorded by Tenant as a matter of public record under any circumstance; provided however, upon Tenant's request, Landlord and Tenant shall simultaneously execute (i) a· memorandum of this Lease, in recordable form, in the form annexed hereto and made a part hereof as "**Exhibit B-1**" and (ii) a discharge of memorandum of lease, in recordable form, in the form annexed hereto and made a part hereof as "**Exhibit B-2**"to be held in escrow by Landlord's attorneys, Cyruli Shanks & Zizmor LLP, at their offices at 420 Lexington Avenue, New York, New York 10170 ("Escrowee") until the expiration of the Lease or on such earlier date upon which the Term shall expire, be canceled or terminated pursuant to any of the conditions or covenants of this Lease or pursuant to law, and Tenant may, at its sole cost and expense, record said memorandum and, upon recordation, deliver duplicate copy of the recorded memorandum to Landlord, at which time, the discharge held in escrow shall be promptly released therefrom and delivered to Landlord. Such memorandum shall not be deemed to modify or change any provisions of this Lease.

1.02 The Premises shall be used and occupied for any use which is permitted as of the date hereof by the certificate of occupancy for the Building and by all applicable laws, codes, rules and regulations of governmental and quasi-governmental authorities and agencies having jurisdiction, and at all times such uses shall be undertaken in a manner consistent with and in keeping with the character of a first (1st) class high-rise office building located in midtown

Manhattan and Tenant's current use of the Existing Premises is in keeping with such first (1st) class character, and for no other purpose.

1.03 Neither the Premises, nor the halls, corridors, stairways, elevators or any other portion of the Building shall be used by the Tenant or the Tenant's servants, employees, licensees, invitees or visitors in connection with the aforesaid permitted use or otherwise so as to cause any congestion of the public portions of the Building or the entranceways, sidewalks or roadways adjoining the Building whether by trucking or by the congregating or loitering thereon of the Tenant and/or the servants, employees, licensees, invitees or visitors of the Tenant.

1.04 Tenant shall not permit messengers, delivery personnel or other individuals providing such services to Tenant ("Delivery Personnel") to: (i) assemble, congregate or to form a line outside of the Premises or the Building or otherwise impede the flow of pedestrian traffic outside of the Premises or Building or (ii) park or otherwise leave bicycles, wagons or other delivery carts outside of the Premises or the Building except in locations outside of the Building designated by Landlord from time-to-time. Notwithstanding anything to the contrary contained herein, Tenant shall be permitted to maintain an "in-house" messenger or delivery service (Tenant's Delivery Personnel") within the Premises, provided that Tenant's Delivery Personnel: (i) shall have appropriate identification and shall display such identification upon request, and (ii) shall comply with all rules and regulations promulgated by Landlord from time-to time; provided however, for so long as Tenant or anyone claiming through Tenant occupies the entire rentable portion of the Building, Tenant's Delivery Personnel shall only required to conduct themselves in a proper and professional manner consistent with delivery service personnel servicing office buildings in midtown Manhattan of similar age, size character and location.

ARTICLE 2

TERM

2.01 The Existing Premises are leased for a term of approximately ten (10) years (the "Term") which shall commence on August 1, 2006 (the "Commencement Date") and shall end on July 31, 2016 (the "Expiration Date") or on such earlier date upon which the Term shall expire, be canceled or terminated pursuant to any of the conditions or covenants of this Lease or pursuant to law.

2.02 The 3rd Floor Premises shall be added to the Premises under all the applicable terms, covenants and conditions of the Lease, for a term which shall commence ten (10) days following the date which Landlord gives Tenant written notice that the 3rd Floor Premises is available for occupancy (the "3rd Floor Commencement Date") and shall end on the Expiration Date or on such earlier date upon which the Term shall expire, be canceled or terminated pursuant to any of the conditions or covenants of this Lease or pursuant to law; but in no event shall the 3rd Floor Commencement Date occur: (i) before nine (9) months from the date hereof, or (ii) after July 1, 2008, subject to Force Majeure (defined in Article 55 herein). If Landlord shall not have delivered to Tenant possession of the 3rd Floor Premises, on or before December 1, 2008, then Tenant may

within thirty (30) days thereafter unequivocally and unconditionally notify Landlord that Tenant elects to terminate and cancel this Lease with respect to the 3rd Floor Premises only, effective as of the date which is no less than thirty (30) days after the delivery of the notice (the "Cancellation Date"), provided, however, that the Cancellation Date shall be extended by one (1) day for each day of delay by Landlord which is due to any acts or omissions of Tenant, its employees, agents, representatives or servants. However, in the event that Landlord gives Tenant notice that thee 3rd Floor Premises will be delivered to Tenant prior to the Cancellation Date, and possession of the 3rd Floor Premises is delivered to Tenant prior to the Cancellation Date then, in such event, Landlord's notice shall negate and nullify Tenant's notice.

ARTICLE 3

RENT AND ADDITIONAL RENT

3.01 Tenant shall pay fixed annual rent without electricity (the "Fixed Annual Rent") at the rates provided for in the schedules annexed hereto and made a part hereof as "**Exhibit C-1**" and "**Exhibit C-2**" in equal monthly installments in advance on the first (1st) day of each calendar month during the Term. All sums other than Fixed Annual Rent payable hereunder shall be deemed to be " Additional Rent" and shall be payable within fourteen (14) days of demand, unless other payment dates are hereinafter provided. Tenant shall pay all Fixed Annual Rent and Additional Rent due hereunder at the office of Landlord or such other place as Landlord may designate, payable in United States legal tender, by cash, or by good and sufficient check drawn on a bank which is a member of the FDIC or a successor thereto, or upon prior written notice to Landlord, by wire transfer to an account designated in writing by Landlord, and without any set off or deduction whatsoever, except as otherwise expressly provided herein. The term "Rent" as used in this Lease shall mean Fixed Annual Rent and Additional Rent. Landlord may apply payments made by Tenant towards the payment of any item of Fixed Annual Rent and/or Additional Rent payable hereunder notwithstanding any designation by Tenant as to the items against which any such payment should be credited.

3.02 As a component of Additional Rent, in addition to Fixed Annual Rent, Tenant shall pay to Landlord beginning on January 1, 2009 and on the first (1st) day of January for each calendar year during the Term thereafter a lump sum payment of $26,000.00 at the office of Landlord or such other place as Landlord may designate, payable in United States legal tender, by cash, or by good and sufficient check drawn on a bank which is a member of the FDIC or a successor thereto, and without any set off or deduction whatsoever.

ARTICLE 4

ASSIGNMENT/SUBLETTING

4.0I Neither Tenant nor Tenant's legal representatives or successors in interest by operation of law or otherwise, shall assign, mortgage or otherwise encumber this Lease, or sublet or

permit the entire Premises to be used by others, without the prior written consent of Landlord in each instance (it be acknowledged that a subletting of less than the entire Premises shall not require Landlord's consent, but shall otherwise comply with all other applicable terms and conditions of this Article 4). Subject to the provisions below the transfer of a majority of the issued and outstanding capital stock of any corporate tenant of this Lease or sublessee of this Lease occupying space greater than the equivalent of one (1) full floor of the Building or a majority of the total interest in any partnership tenant or sublessee or company, however accomplished, and whether in a single transaction or in a series of related or unrelated transactions, the conversion of a tenant or sublessee entity to either a limited liability company or a limited liability partnership (provided however, such conversion to a limited liability company or a limited liability partnership shall not be deemed an assignment requiring Landlord's prior consent provided that: (i) all of the assets of Tenant are transferred to the new entity; (ii) the new entity is duly authorized and does assume all of tenant's obligations of the Lease; and (iii) Tenant give Landlord at lease fourteen (14) days prior notice of such conversion along with (a) the name and address of the new entity, (b) a duly executed counterpart of assignment agreement, and (c) reasonably satisfactory documentation establishing the requirements of (i) and (ii) above) or the merger or consolidation of a corporate tenant or sublessee, shall be deemed an assignment of this Lease or of such sublease. The transfer of issued and outstanding capital stock, for purposes of this Article, shall not include the public sale of such stock (i) by persons who are not those deemed "insiders" within the meaning of the Securities Exchange Act of 1934 as amended, and which sale is (ii) effected through the "over-the-counter market" or through any legitimate stock exchange recognized in the United States. If this Lease is assigned, or if the Premises or any part thereof is underlet or occupied by anybody other than Tenant, Landlord may, after default by Tenant, after notice and the expiration of the cure period applicable to such default hereunder, if any, collect rent from the assignee, undertenant or occupant, and apply the net amount collected to the rent herein reserved, but no assignment, underletting, occupancy or collection shall be deemed a waiver of the provisions hereof, the acceptance of the assignee, undertenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. The consent by Landlord to an assignment or underletting shall not in any way be construed to relieve Tenant from obtaining the express consent in writing of Landlord to any further assignment or underletting to the extent required by the terms hereof. In no event shall any permitted sublessee assign or encumber its sublease or further sublet all or any portion of its sublet space, or otherwise suffer or permit the sublet space or any part thereof to be used or occupied by others, without Landlord's prior written consent in each instance; provided however, Landlord's consent shall not be required with respect to one (1) further subletting of the Premises, or a portion thereof by an Affiliate (as herein defined below), subject to, and provided that each such further assignment or subletting is in compliance with, all other applicable provisions of this Article. A modification, amendment or extension of a sublease shall be deemed a sublease. The listing of the name of a party or entity other than that of Tenant on the Building or floor directory or on or adjacent to the entrance door to the Premises shall neither grant such party or entity any right or interest in this Lease or in the Premises nor constitute Landlord's consent to any assignment or sublease to, or occupancy of the Premises by, such party or entity. If any lien is filed against the Premises or the Building of which the same form a part for brokerage services claimed to have been performed for Tenant in connection with any such assignment or sublease, whether or not actually performed, the same shall be discharged within ten (10) days thereafter, at Tenant's expense, by filing the bond required by law, or otherwise, and paying any other necessary sums, and Tenant agrees to

indemnify Landlord and its agents and hold them harmless from and against any and all claims, losses or liability resulting from such lien for brokerage services rendered.

4.02 If Tenant desires to assign this Lease or to sublet all of the Premises for the balance or substantially the balance of the Term of this Lease, it shall first submit in writing to Landlord a notice (the "Tenant's Recapture Offer") which states, with respect to each such prospective assignment or subletting, all of the relevant terms and conditions upon which Tenant is willing to assign this Lease or sublet the Premises, whichever may be applicable, and which shall be deemed an offer under the terms and conditions contained in Tenant's Recapture Offer (i) with respect to a prospective assignment, to assign this Lease to Landlord without any payment of moneys or other consideration therefor, or, (ii) with respect to a prospective subletting, to sublet to Landlord the entire Premises ("Leaseback Area") on the same terms, covenants and conditions (including provisions relating to escalation rents) as are contained therein. Tenant's Recapture Offer shall specify the date when the Leaseback Area will be made available to Landlord, which date shall be in no event earlier than thirty (30) days nor later than one hundred twenty (120) days following the acceptance of Tenant's Recapture Offer (the " Recapture Date"). If an offer of sublease is made, and if the proposed sublease will result in a sublease for the balance or substantially the balance of the Term of this Lease, then Landlord shall have the option to extend the term of its proposed sublease for the balance of the Term of this Lease less one (1) day. Landlord shall have a period of thirty (30) days from the receipt of such Tenant's Recapture Offer to either accept or reject Tenant's Recapture Offer or, with respect to a proposed assignment of this Lease or sublease of all of the Premises for the balance or substantially the balance of the Term of this Lease, to terminate this Lease. If Tenant is in default under this Lease, after notice and the expiration of the cure period applicable to such default hereunder, if any, at any time that Tenant desires to give Tenant's Assignment Recapture Offer Notice, Tenant shall have no right to do so and any such Tenant's Assignment Recapture Offer Notice purportedly given at such time shall be ineffective and invalid. Notwithstanding anything contained herein to the contrary, but subject to the provisions of Sections 4.12 and 4.13 of this Article, the provisions of this Section 4.02 shall not apply to an assignment of this Lease or sublet of the entire Premises to a "Related Entity" (defined below).

4.03. If Landlord exercises its option to terminate this Lease pursuant to the provisions of Section 4.02 of this Article, then (i) the term of this Lease shall end at the election of Landlord either (x) on the date that such assignment or sublet was to become effective or commence, as the case may be, or (y) on the Recapture Date and (ii) Tenant shall surrender to Landlord and vacate the Premises on or before such date in the same condition as is otherwise required upon the expiration of this Lease by its terms, (iii) the Rent and Additional Rent due hereunder shall be paid and apportioned to such date, and (iv) Landlord shall be free to lease the Premises (or any portion thereof) to any individual or entity including, without limitation, Tenant's proposed assignee or subtenant.

4.04. If Landlord shall accept Tenant's Recapture Offer Tenant shall then execute and deliver to Landlord, or to anyone designated or named by Landlord, an assignment or sublease, as the case may be, in either case in a form reasonably satisfactory to Landlord's and Tenant's counsel.

If a sublease is so made it shall expressly:

(i) permit Landlord to make further subleases of all or any part of the Leaseback Area and (at no cost or expense to Tenant) to make and authorize any and all changes, alterations, installations and improvements in such space as necessary;

(ii) provide that Tenant will at all times permit reasonably appropriate means of ingress to and egress from the Leaseback Area to the extent required under the subleasing proposed by Tenant in connection with Tenant's Recapture Offer;

(iii) negate any intention that the estate created under such sublease be merged with any other estate held by either of the parties;

(iv) provide that Landlord shall accept the Leaseback Area "as is" except that Landlord, at Tenant's expense, shall perform all such work and make all such alterations as may be required physically to separate the Leaseback Area from the remainder of the Premises and to permit lawful occupancy, it being intended that Tenant shall have no other cost or expense in connection with the subletting of the Leaseback Area;

(v) provide that at the expiration of the term of such sublease, Tenant will accept the Leaseback Area in its then existing condition, subject to the obligations of Landlord to make such repairs thereto as may be necessary to preserve the Leaseback Area in good order and condition, ordinary wear and tear excepted.

4.05 Landlord shall indemnify and save Tenant harmless from all obligations under this Lease as to the Leaseback Area during the period of time it is so sublet, except for Fixed Annual Rent and Additional Rent, if any, due under the within Lease, which are in excess of the rents and additional sums due under such sublease. Subject to the foregoing, performance by Landlord, or its designee, under a sublease of the Leaseback Area shall be deemed performance by Tenant of any similar obligation under this Lease and any default under any such sublease shall not give rise to a default under a similar obligation contained in this Lease, nor shall Tenant be liable for any default under this Lease or deemed to be in default hereunder if such default is occasioned by or arises from any act or omission of the tenant under such sublease or is occasioned by or arises from any act or omission of any occupant holding under or pursuant to any such sublease: in the event, the Leaseback rent is not paid by Landlord to Tenant, then Tenant may offset such amounts against Rent.

4.06 lf Tenant requests Landlord's consent to a specific assignment or subletting, it shall submit in writing to Landlord (i) the name and address of the proposed assignee or sublessee, (ii) a duly executed term sheet or letter of intent setting for the material economic and non-economic terms of the proposed agreement of assignment or sublease, not subject to further negotiation or review, (iii) reasonably satisfactory information as to the nature and character of the business of the proposed assignee or sublessee and as to the nature of its proposed use of the space, and (iv) banking, frnancial or other credit information relating to the proposed assignee or sublessee to the extent available to Tenant and reasonably sufficient to enable Landlord to determine the financial responsibility and character of the proposed assignee or sublessee.

4.07. If Landlord shall not have accepted Tenant's Recapture Offer and Landlord shall not have terminated this Lease, as provided for in Section 4.02 hereof, then Landlord will not unreasonably withhold or delay its consent to Tenant's request for consent to such specific assignment or subletting for the use permitted under this Lease, provided that any such assignment or subletting for the entire Premises shall (i) have economic terms that shall not vary by more than seven (7%) percent from the economic terms contained in Tenant's Recapture Offer, (ii) be for a term expiring not more than three (3) months before or beyond the term designated in Tenant's Recapture Offer and be upon substantially all of the material terms and conditions set forth in Tenant's Recapture Offer (iii) comply with all other applicable provisions of this Article (and in the event that the economic terms and/or the term of such proposed subletting or assignment, as the case may be, vary from the economic terms and/or the term contained in Tenant's Recapture Offer beyond the variances set forth above, or in the event that an assignment or sublease is not effected within one hundred eighty (180) days following the date upon which Tenant's Recapture Offer is given by Tenant to Landlord, then Tenant's request for consent shall be deemed to constitute a new Tenant's Recapture Offer to Landlord under the terms and conditions contained in the proposed sublease or assignment, as the case may be, with respect to which all of the provisions of this Article 4 shall again apply), and provided further that:

(i) The Premises shall not, without Landlord's prior consent, have been listed or otherwise publicly advertised for assignment or subletting at a rental rate lower than the then prevailing rental rate for space in the Building; ·

(ii) The proposed assignee or subtenant shall have a financial standing, be of a character, be engaged in a business, and propose to use the Premises, in a manner consistent with the permitted use and in keeping with the standards of the Building;

(iii) The proposed assignee or subtenant shall not be a tenant, subtenant, assignee or occupant of any space in the Building, nor shall the proposed assignee or subtenant be a person or entity who has dealt with Landlord or Landlord's agent (directly or through a broker) with respect to space in the Building during the six (6) months immediately preceding Tenant's request for Landlord's consent (the foregoing shall not apply to any assignment or sublease for the entire Premises hereunder for so long as Tenant or anyone claiming through Tenant occupies the entire rentable portion of the Building);

(iv) The character of the business to be conducted in the Premises by the proposed assignee or subtenant shall not be likely to materially increase operating expenses or the burden on existing cleaning services, elevators or other services and/or systems of the Building;

(v) In case of a subletting, the subtenant shall be expressly subject to all of the obligations of Tenant under this Lease and the further condition and restriction that such sublease shall not be assigned, encumbered or otherwise transferred or the Premises further sublet by the subtenant in whole or in part, or any part thereof suffered or permitted by the subtenant to be used or occupied by others, without the prior written consent of Landlord in each instance to the extent

required by the terms of this Lease, subject to the provisions of Section 4.01 hereof and compliance with all other applicable provisions of this Article;

(vi) No subletting shall end later than one (1) day before the Expiration Date nor shall any subletting be for a term of less than two (2) years unless (a) Named Tenant (as defined in Article 44.02 of this Lease) occupies fifty (50%) percent or more of the Premises for the conduct of its business (as opposed to mere lawful possession) in which event no subletting shall be for a term of less than one (1) year, or (b) such subletting commences less than two (2) years before the expiration of the term hereof;

(vii) Tenant shall reimburse Landlord on demand for any reasonable costs, including attorneys' fees and disbursements, that may he incurred by Landlord in connection with said assignment or sublease (such amount not to exceed $5,000.00 in each instance);

(viii) The character of the business to be conducted in the Premises by the proposed assignee or subtenant shall not require any alterations, installations, improvements, additions or other physical changes to be performed, or made to, any portion of the Building or the Real Property other than the Premises; and

(x) The proposed assignee or subtenant shall not be any entity which is entitled to diplomatic or sovereign immunity or which is not subject to service of process in the State of New York or to the jurisdiction of the courts of the State of New York and the United States located in New York County.

Landlord shall have a period of thirty (30) days from the receipt of such Tenant request for consent for a specific assignment or subletting to either consent or refuse to consent to such specific assignment or subletting. In the event that Landlord fails to (i) timely accept or reject a Tenant's Recapture Offer or terminate this Lease or the applicable portion hereof, in accordance with Section 4.02 hereof, or (ii) timely consent or refuse to consent to a request from Tenant for consent to such specific assignment or subletting for the use permitted under this Lease, in accordance with this Section 4.07, then in either of the foregoing instances same shall not constitute a material default by Landlord under this Lease or entitle Tenant to cancel this Lease or to any set-off or abatement of Fixed Annual Rent or Additional Rent or to claim or recover any monetary damages whatsoever, and in no event shall Tenant be entitled to make, nor shall Tenant make, any claim, and Tenant hereby waives any claim, for money damages (nor shall Tenant claim any money damages by way of set-off, counterclaim or defense) based upon any claim or assertion by Tenant that Landlord has unreasonably withheld or unreasonably delayed its consent or approval. In the case of either (i) or (ii), above, provided that Tenant shall have submitted a second (2^{nd}) written request therefor together with all of the information and documentation set forth in Section 4.06 hereof which expressly refers to this Section 4.07 and the consequences of Landlord's failure to respond within five (5) days thereafter, stating in bold, uppercase letters on the first page thereof: **"LANDLORD'S CONSENT TO THE PROPOSED SUBLEASE OR ASSIGNMENT SHALL BE DEEMED GIVEN IF LANDLORD FAILS TO [ACCEPT OR REJECT TENANT'S RECAPTURE OFFER OR TERMINATE THIS LEASE OR THE APPLICABLE PORTION THEREOF / CONSENT TO OR DISAPPROVE OF SUCH PROPOSED SUBLEASE] WITHIN FIVE (5) DAYS**

AFFER THIS NOTICE SHALL BE DEEMED TO HAVE BEEN GIVEN TO LANDLORD", and provided further that Landlord continues to fail to timely consent or refuse to consent as set forth above within said five (5) day period, then Landlord shall be deemed to have consented to the proposed assignment or sublease, subject to the provisions of this Article.

4.08 Any consent of Landlord under this Article shall be subject to the terms of this Article and conditioned upon there being no default by Tenant, beyond any grace period, under any of the terms, covenants and conditions of this Lease at the time that Landlord's consent to any such subletting or assignment is requested and on the date of the commencement of the term of any proposed sublease or the effective date of any proposed assignment. Tenant acknowledges and agrees that no assignment or subletting shall be effective unless and until Tenant, upon receiving any necessary Landlord's written consent (and unless it was theretofore delivered to Landlord) causes a duly executed copy of the sublease or assignment to be delivered to Landlord within ten (10) days after execution thereof. Any such sublease shall provide that the sublessee shall comply with all applicable terms and conditions of this Lease to be performed by the Tenant hereunder. Any such assignment of this Lease shall contain an assumption by the assignee of all of the terms, covenants and conditions of this Lease to be performed by the Tenant.

4.09. Anything hereinabove contained to the contrary notwithstanding, provided that Tenant is not in default under this Lease after notice (in which event, Tenant's rights under this Article shall be merely suspended until the earlier of (i) the timely and full cure of the default alleged in such notice (or any other cure which is accepted by Landlord without consequence to Tenant's rights under this Article or which is deemed sufficient and timely by a court of competent jurisdiction), at which time Tenant's rights hereunder shall be reinstated, and (ii) the expiration of the time in which to cure such default, at which time Tenant's rights hereunder shall be extinguished with respect to the instant transaction in the absence of any other cure which is accepted by Landlord without consequence to Tenant's rights under this Article or which is deemed sufficient and timely by a court of competent jurisdiction), and the "recapture" provisions of this Article shall not apply, Landlord's consent shall not be required for a sublease of any portion of the Premises provided however, that: (a) Tenant give Landlord at lease fourteen (14) days prior notice of such sublease along with (i) the name and address of the sublessee, (ii) a duly executed counterpart of the proposed agreement of sublease, and (iii) reasonably satisfactory information as to the nature and character of the business of the sublessee and as to the nature of its proposed use of the space, (b) the subtenant is engaged in a business consistent with the use permitted under Section 1.02 of this Lease and the portion of the Premises sublet to subtenant will be used in a manner which (x) is in keeping with the standards of the Building and (y) would not adversely affect or increase Landlord's cost in the operation of the Building, and (c) any such sublease complies with any other applicable provisions of this Article.

4.10 If Landlord shall not have accepted Tenant's Recapture Offer hereunder and Landlord has not elected to terminate this Lease, and Tenant effects any assignment or subletting, then Tenant thereafter shall pay to Landlord a sum equal to fifty (50%) percent of (a) any rent or other consideration paid to Tenant by any subtenant with respect to the sublease (after deducting the cost of Tenant, if any, in effecting the subletting or assignment, for reasonable alteration costs, advertising expenses, brokerage commissions, reasonable rent concessions and legal fees) which is in

excess of the rent allocable to the subleased space which is then being paid by Tenant to Landlord pursuant to the terms hereof, and (b) any other profit or gain realized by Tenant in connection with an assignment or sublease (after deducting the cost of Tenant, if any, in effecting the subletting or assignment, for reasonable alteration costs, advertising expenses, brokerage commissions, reasonable rent concessions and legal fees not previously deducted pursuant to subsection "a" above) from any such subletting or assignment. The foregoing amounts shall be payable to Landlord only if, as and when, the same are received by Tenant from said assignee or sublessee.

4.1 1 In no event shall Tenant be entitled to make, nor shall Tenant make, any claim, and Tenant hereby waives any claim, for money damages (nor shall Tenant claim any money damages by way of set-off, counterclaim or defense) based upon any claim or assertion by Tenant that Landlord has unreasonably withheld or unreasonably delayed its consent or approval to a proposed assignment or subletting as provided for in this Article. Tenant's sole remedy shall be an action or proceeding to enforce any such provision, or for specific performance, injunction or declaratory judgment. In the event that Tenant shall commence any action against Landlord in order to enforce Tenant's rights under this Lease (provided that Tenant does not seek to remove and consolidate with such action any summary proceeding commenced by Landlord), and should Tenant prevail and obtain a final, non-appealable order, judgment or award on the merits, Landlord will reimburse Tenant (by means of credit against Fixed Annual Rent or if there should be insufficient term remaining inthis Lease or any renewals and extensions in order to exhaust such credit, then the remainder shall be reimbursed by payment) for the reasonable legal expenses and fees thereby incurred by Tenant. Notwithstanding the foregoing, if a dispute arises between the parties in connection with the provisions of this Article which cannot be resolved by negotiation, they shall submit the matter to binding arbitration before the American Arbitration Association (the "AAA") or any successor organization, in accordance with the rules, regulations and/or procedures for expedited proceedings then obtaining of the AAA or such successor organization. The parties shall jointly designate an independent arbitrator (the "AAA Arbitrator"). In the event that the parties shall be unable to jointly agree on the designation of the AAA Arbitrator within five (5) days after written request by either party, the parties shall allow the AAA, or any successor organization, to designate the AAA Arbitrator in accordance with the rules, regulations and/or procedures for expedited proceedings then obtaining of the AAA or such successor organization. The arbitration shall be held at New York, New York, on twenty (20) days notice, within seven (7) days of the appointment of the Arbitrator. The AAA Arbitrator shall conduct such hearings, discovery and investigations as he/she may deem appropriate, provided that they shall be concluded within thirty (30) days after the date of designation of the AAA Arbitrator. Within ten (10) after the conclusion thereof, the AAA Arbitrator shall issue a determination. The determination of the arbitrator shall be conclusive and binding upon the parties and shall be set forth, along and with the AAA Arbitrator's rationale for such determination, in a written report delivered to the parties. Each party shall pay its own counsel fees and expenses, if any, in connection with any arbitration under this Article. The AAA Arbitrator appointed pursuant to this Article shall be an independent real estate construction professional with at least ten (10) years' experience in commercial real estate commercial leasing. The AAA Arbitrator shall not have the power to add to, modify or delete any of the provisions of this Agreement. The sole function of the AAA Arbitrator shall be to determine whether Landlord has acted reasonably and whether to require Landlord to grant such consent or approval; the AAA Arbitrator may not award damages or grant any other monetary award or relief.

4.12 Anything hereinabove contained to the contrary notwithstanding, the "recapture" provisions of this Article and the provisions of Section 4.10 hereof shall not apply in connection with, and Landlord's consent shall not be required for (a) an assignment of this Lease to a Related Entity, (b) a sublease of all or part of the Premises for the uses permitted hereunder to an Affiliate, or (c) in connection with a deemed assignment of this Lease resulting from a transfer of a majority of the issued and outstanding shares of capital stock or ownership interests of Tenant provided that such transfer to a Successor Entity shall be for a legitimate business purpose and not principally for the purpose of transferring this Lease, and provided further, with respect to both clauses (a) and (c), to the extent applicable, that: (i) Landlord is given prior notice thereof and reasonably satisfactory proof that the requirements of this Article 4 (to the extent applicable to the transaction) have been met and Tenant agrees to remain primarily liable, jointly and severally, with any assignee, for the obligations of Tenant under this Lease and (ii) in Landlord's reasonable judgment the proposed assignee or subtenant is engaged in a business and the Premises, or the relevant part thereof, will be used in a manner which (x) is in keeping with the standards of the Building and (y) would not adversely affect or increase Landlord's cost in the operation of the Building, and (iii) Tenant is not in default under this Lease after notice (in which event, Tenant's rights under this Article shall be merely suspended until the earlier of (i) the timely and full cure of the default alleged in such notice (or any other cure which is accepted by Landlord without consequence to Tenant's rights under this Article or which is deemed sufficient and timely by a court of competent jurisdiction), at which time Tenant's rights hereunder shall be reinstated, and (ii) the expiration of the time in which to cure such default, at which time Tenant's rights hereunder shall be extinguished with respect to the instant transaction in the absence of any other cure which is accepted by Landlord without consequence to Tenant's rights under this Article or which is deemed sufficient and timely by a court of competent jurisdiction). The term "Affiliate" of Tenant shall mean any person, corporation or other entity which is a licensee, client, or business venturer of Tenant, equity co-venturer with Tenant, or a Related Entity.

4.13 For purposes of this Article:

A. a "Related Entity" shall mean:

(x) a wholly-owned subsidiary of Tenant, the parent entity of Tenant, or any corporation or entity which controls or is controlled by Tenant or is under common control with Tenant, or

(y) any entity (a "Successor Entity") (i) to which substantially all or all of the assets or stock of Tenant are transferred, or (ii) into which Tenant may be merged or consolidated, provided that in either such case both the net worth and ratio of current assets to current liabilities (exclusive of good will) of such transferee or of the resulting or surviving corporation or other business entity, as the case may be, as certified by the certified public accountants of such transferee or the resulting or surviving business entity in accordance with generally accepted accounting principles, consistently applied, is not less than Tenant's net worth and ratio of current assets to current liabilities (exclusive of good will), as so certified, as of the day immediately prior to such transaction and provided also that any such transaction complies with the other provisions of this

Article; and

B. the term "control" shall mean, in the case of a corporation or other entity, ownership or voting control, directly or indirectly, of at least fifty (50%) percent of all of the general or other partnership (or similar) interests therein and the power to determine the actions of such entity.

4.14 In the event of a permitted subletting of one (1) full floor or greater of Premises (or equaling the aggregate of 10,000 square feet or more) originally demised under this Lease, and provided there shall be no default under this Lease by Tenant or the subtenant after notice (in which event, Tenant's rights under this Article shall be merely suspended until the earlier of (i) the timely and full cure of the default alleged in such notice (or any other cure which is accepted by Landlord without consequence to Tenant's rights under this Article or which is deemed sufficient and timely by a court of competent jurisdiction), at which time Tenant's rights hereunder shall be reinstated, and (ii) the expiration of the time in which to cure such default, at which time Tenant's rights hereunder shall be extinguished with respect to the instant transaction in the absence of any other cure which is accepted by Landlord or which is deemed sufficient and timely by a court of competent jurisdiction), upon Tenant's written request, Landlord shall enter into a so-called "non-disturbance agreement", in Landlord's form, agreeing with such subtenant that so long as subtenant shall not be in default under its sublease after notice and the expiration of any applicable cure period, subtenant's possession of the Premises in accordance with the terms and conditions of such sublease, except as expressly otherwise hereinafter set forth, shall not be disturbed by reason of the termination of this Lease as a result of the default by Tenant hereunder, provided however that Landlord shall succeed to the interest of Tenant under such sublease and such subtenant shall attorn to Landlord, and further provided that Landlord shall not be (a) liable for any previous act or omission or negligence of Tenant (as sublessor) under the sublease, (b) subject to any counterclaim, defense or offset, which therefore shall have accrued to the subtenant against Tenant (as sublessor), (c) bound by an previous modification or amendment of the sublease or by any previous prepayment of more than one month's rent, unless such modification or prepayment shall have been approved in writing by Landlord, or (d) obligated to perform any repairs or other work beyond Landlord's obligations under this Lease. In addition, in the event such subtenant attoms to Landlord pursuant to such non- disturbance agreement, commencing on the date of such attornment, the fixed rent and additional rent payable by such subtenant under its sublease for each calendar year (or a portion thereof) during the term of the sublease shall be the greater of (i) the fixed rent and additional rent as defined in and payable by subtenant pursuant to the terms of its sublease or (ii) the fixed rent and additional rent which would have been payable by Tenant pursuant to the Lease with respect to the sublet premises had the Lease not been terminated. In addition, to the extent that the sublease (a) grants to subtenant services or rights in excess of those which would otherwise be available to Tenant under this Lease if Tenant were leasing directly from Landlord the subleased premises or (b) does not grant to Tenant (as sublessor) any rights that Landlord has vis-a-vis Tenant under thi s Lease, then such excess services or rights will automatically cease, and such omitted rights shall be deemed granted to Landlord, in each case if, as and when (and for all periods of the sublease term from and after the date that) such attornment becomes effective between Landlord and subtenant (and upon such attornment, the sublease shall, automatically and without further act required on the part of any party, be deemed amended to accomplish the foregoing provisions of this Section.)

ARTICLE 5

DEFAULT

5.01 Landlord may terminate this Lease on three (3) days' notice: (a) if Fixed Annual Rent or Additional Rent is not paid within three (3) days after written notice from Landlord; or (b) if Tenant shall have failed to cure a default in the performance of any covenant of this Lease (except the payment of Rent), or any rule or regulation hereinafter set forth, within twenty (20) days after written notice thereof from Landlord, or if default cannot be completely cured in such time, if Tenant shall not promptly proceed to cure such default within said twenty (20) days, or shall not complete the curing of such default with due diligence; or (c) when and to the extent permitted by law, if a petition in bankruptcy shall be filed by or against Tenant or if Tenant shall make a general assignment for the benefit of creditors, or receive the benefit of any insolvency or reorganization act; or (d) if a receiver or trustee is appointed for any portion of Tenant's property and such appointment is not vacated within forty five (45) days; or (e) if an execution or attachment shall be issued under which the Premises shall be taken or occupied or attempted to be taken or occupied by anyone other than Tenant; or (f) if the Premises become and remain abandoned for a period of twenty (20) days for any other reason than by reason of a fire or casualty to the Premises; or (g) if Tenant shall default beyond any grace period under any other lease between Tenant and Landlord. At the expiration of the three (3) day notice period, this Lease and any rights of renewal or extension thereof shall terminate as completely as if that were the date originally fixed for the expiration of the Term of this Lease, but Tenant shall remain liable as hereinafter provided.

5.02 In the event that Tenant is in arrears for Fixed Annual Rent or any item of Additional Rent, Tenant waives its right, if any, to designate the items against which payments made by Tenant are to be credited and Landlord may apply any payments made by Tenant to any items which Landlord in its sole discretion may elect irrespective of any designation by Tenant as to the items against which any such payment should be credited.

5.03 Tenant shall not seek to remove and/or consolidate any summary proceeding brought by Landlord with any action commenced by Tenant in connection with this Lease or Tenant's use and/or occupancy of the Premises.

5.04 In the event of a default by Landlord hereunder, no property or assets of Landlord, or any principals, shareholders, officers, directors, partners or members of Landlord, whether disclosed or undisclosed, other than the Building in which the Premises are located and the land upon which the Building is situated, shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease, the relationship of Landlord and Tenant hereunder or Tenant's use and occupancy of the Premises.

ARTICLE 6

RELETTING, ETC.

6.01 If Landlord shall re-enter the Premises after the default of Tenant, after notice and the expiration of the cure period applicable to such default hereunder, if any, by summary proceedings or otherwise: (a) Landlord may re-let the Premises or any part thereof, as Tenant's agent, in the name of Landlord, or otherwise, for a term shorter or longer than the balance of the term of this Lease, and may grant concessions or free rent; (b) Tenant shall pay Landlord any deficiency between the rent hereby reserved and the net amount of any rents collected by Landlord for the remaining term of this Lease, through such re-letting. Such deficiency shall become due and payable monthly, as it is determined. Landlord shall have no obligation to re-let the Premises, and its failure or refusal to do so, or failure to collect rent on re-letting, shall not affect Tenant's liability hereunder. In computing the net amount of rents collected through such re-letting, Landlord may deduct all expenses incurred in obtaining possession or re-letting the Premises, including legal expenses and fees, brokerage fees for what would have been the remainder of the Term of the Lease, the cost of restoring the Premises to good order, and the cost of all alterations and decorations deemed necessary by Landlord to effect re-letting. In no event shall Tenant be entitled to a credit or repayment for rerental income which exceeds the sums payable by Tenant hereunder or which covers a period after the original term of this Lease; (c) Tenant hereby expressly waives any right of redemption granted by any present or future law. "Re-enter" and "re-entry" as used in this Lease are not restricted to their technical legal meaning. In the event of a breach or threatened breach of any of the covenants or provisions hereof, Landlord shall have the right of injunctive relief. Mention herein of any particular remedy shall not preclude Landlord from any other available remedy; (d) Landlord shall recover as liquidated damages, in addition to accrued rent and other charges, if Landlord's re-entry is the result of Tenant's bankruptcy, insolvency, or reorganization, the full rental for the maximum period allowed by any act relating to bankruptcy, insolvency or reorganization.

6.02 If Landlord re-enters the Premises for any cause, or if Tenant abandons the Premises and Lease is terminated as aforesaid, or after the expiration of the term of this Lease, any property left in the Premises by Tenant shall be deemed to have been abandoned by Tenant, and Landlord shall have the right to retain or dispose of such property in any manner without any obligation to account therefor to Tenant. If Tenant shall at any time default hereunder, and if Landlord shall undertake any lawful acts in order to enforce this Lease based upon such default, then Tenant will reimburse Landlord upon demand as Additional Rent, for all costs, expenses and fees (including, without limitation, reasonable attorneys' fees) thereby incurred by Landlord. In the event that Tenant shall commence any action against Landlord in order to enforce Tenant's rights under this Lease (provided that Tenant does not seek to remove and consolidate with such action any summary proceeding commenced by Landlord) or successfully defend an action commenced by Landlord, and should Tenant prevail and obtain a final, non-appealable order, judgment or award on the merits, Landlord will reimburse Tenant (by means of credit against Fixed Annual Rent or if there should be insufficient term remaining in this Lease or any renewals and extensions in order to exhaust such credit, then the remainder shall be reimbursed by payment) for the reasonable legal expenses and fees thereby incurred by Tenant.

ARTICLE 7

LANDLORD MAY CURE DEFAULTS

7.01 If Tenant shall default in performing any covenant or condition of this Lease, after any required notice is given to Tenant and expiration of the grace period applicable to such default hereunder, if any, (provided, however, that notice under this Article shall not be required in the event of an imminent danger to health or safety or in the event that the failure to promptly remedy such default may result in potential criminal or other liability or a default by Landlord under a mortgage, ground lease or other agreement, however Landlord shall use reasonable efforts to provide oral notice where reasonably practicable), Landlord may perform the same for the account of Tenant, and if Landlord, in connection therewith, or in connection with any default by Tenant, makes any expenditures or incurs any obligations for the payment of money, including but not limited to reasonable attorney's fees, such sums so paid or obligations incurred shall be deemed to be Additional Rent hereunder, and shall be paid by Tenant to Landlord within five (5) days of rendition of any bill or statement therefor, and if Tenant's lease term shall have expired at the time of the making of such expenditures or incurring of such obligations, such sums shall be recoverable by Landlord as damages.

ARTICLES 8

ALTERATIONS

8.01 Tenant shall make no structural decoration, alteration, addition or improvement ("Structural Alterations") in the Premises, without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed, and then only by contractors or mechanics and in such manner and time, and with such materials consistent with the quality of the Building, as approved by Landlord. Notwithstanding the foregoing, and subject to all of the other provisions of this Article 8, Landlord's approval shall not be required for Tenant's contractors employing union labor with the proper jurisdictional qualifications provided, however, that (i) all work affecting the Building's "Class E" system shall be performed by Landlord's designated contractor and all plan filings with the Department of Buildings shall be performed by landlord's designated expeditor, provided that the prices charged by said contractor and/or expeditor are reasonably comparable to the prices customarily charged by other reputable contractors and/or expeditor, as the case may be, performing the same work in Midtown Manhattan, and (ii) Landlord has the right to revoke such approval in the event that hereinafter there occurs any negative experience with such contractors or licensed professionals(in that they:(i) fail to prosecute work in a manner consistent with good business or trade practice, or (ii) conduct themselves in an unprofessional or disreputable manner in or about the Building) or Landlord has reasonable concerns regarding the financial stability of, or any criminal proceedings pending against, any such contractors or licensed professionals. All alterations, additions or improvements to the Premises, including air-conditioning equipment and duct work, except movable office furniture and trade equipment installed at the expense of Tenant, shall, unless Landlord elects otherwise in writing, become the property of Landlord, and shall be surrendered with the Premises, at the expiration or sooner termination of the Term. Landlord shall promptly review plans submitted for Landlord's approval

under this Article and shall notify Tenant of Landlord's approval thereof or disapproval (stating with reasonable specificity the reasons for any such disapproval) within (i) thirty (30) days following the submission by Tenant of fully coordinated plans and specifications therefor and (ii) within ten (10) days following a resubmission of plans by Tenant hereunder; provided that, in connection with any Alteration (as hereinafter defined), costing more than $50,000.00, Tenant shall, as soon as reasonably practical, have given Landlord prior notice of its intent to prepare plans for such Alterations. Any such alterations, additions and improvements which Landlord shall designate shall be removed by Tenant and any damage repaired, at Tenant's expense, prior to the expiration of this Lease. Notwithstanding anything contained in this Lease to the contrary, Tenant shall not be obligated to remove any Alterations (as hereinafter defined) hereinafter performed in or to the Premises except for Specialty Alterations and Tenant shall not be obligated to remove any existing Alterations currently in or to the Premises as of the date hereof, except as provided in Articles 44 and 56 herein. For purposes of this Section 8.01, "Specialty Alterations" shall mean Alterations consisting of kitchens, pantries, executive bathrooms, raised computer floors, server rooms, vaults, libraries, filing systems, internal staircases, dumbwaiters, pneumatic tubes, vertical and horizontal transportation systems, any Alterations which are structural in nature or penetrate or otherwise affects any floor slab, and other Alterations of a similar character which are not customary for general office use in non-institutional office buildings in midtown Manhattan. Tenant shall, at Tenant's cost and expense, remove any such Specialty Alteration so designated by Landlord, repair any damage to the Premises or the Building due to such removal, cap all electrical, plumbing and waste disposal lines in accordance with sound construction practice and restore the portion of the Premises effected by such removal to the condition existing prior to the making of such Specialty Alteration, reasonable wear and tear and damage from casualty excepted. All such work shall be performed in accordance with plans and specifications first approved by Landlord, such approval not to be unreasonably withheld or delayed, and all applicable terms, covenants, and conditions of this Lease. If the Landlord's insurance premiums increase as a result of any Specialty Alterations, Tenant shall pay each such increase each year as Additional Rent within thirty (30) days after receipt of a bill therefore from Landlord. Landlord shall designate an Alteration to be a Specialty Alteration at the time that consent to such Specialty Alteration is given by Landlord, provided that Tenant attaches, as part of its request for such consent, a separate written notice specifically referencing this Section and advising Landlord that Landlord is required to make such designation as part of any such consent given by Landlord hereunder or be deemed to. have waived its right to have such Alteration removed by Tenant at the expiration or sooner termination of the Term. Notwithstanding anything to the contrary contained herein, Tenant shall close any passageways created by Tenant between the Premises and the 250 Building (as defined herein) in accordance with good construction practices in accordance with all applicable provisions of this Lease and repair any damage to the Premises and the Building arising from the closure of such passageways on or before the Expiration Date.

8.02 Notwithstanding anything contained herein to the contrary, Tenant shall not be required to obtain Landlord 's prior written consent or approval for any nonstructural, purely decorative, or interior improvements or alterations ("Non-Structural Alterations"; all Non-Structural Alterations, Structural Alterations, and Specialty Alterations are collectively referred as " Alterations") to the Premises (including painting, carpeting or the installation of wall coverings) provided, however that said Non-Structural Alterations do not consist of changes or modifications affecting any Building plumbing, electrical, air conditioning, utility services or other Building wide

systems, do not require the issuance of a building permit, and are not visible from outside the Premises, and comply with all applicable provisions of this Lease. All Alterations shall be performed in accordance with the following conditions:

(i) Prior to the commencement of any Structural Alterations and Specialty Alterations, Tenant shall first submit to Landlord for its approval detailed dimensioned coordinated plans and specifications, including layout, architectural, mechanical, electrical, plumbing and structural drawings therefore (the "Plans"). Landlord shall be give, in writing, a good description of all other Alterations and Plans with respect to Non-Structural Alterations requiring a building permit or costing in excess of $75,000.00.

(ii) All Alterations in and to the Premises shall be performed in a good and workmanlike manner and in accordance with the Building's rules and regulations governing Tenant Alterations. Prior to the commencement of any such Alterations, Tenant shall, at its sole cost and expense, obtain and exhibit to Landlord any governmental permit required in connection with such Alterations.

(iii) All Alterations shall be done in compliance with all other applicable provisions of this Lease and with all applicable laws, ordinances, directions, rules and regulations of governmental authorities having jurisdiction, including, without limitation, the Americans with Disabilities Act of 1990 and New York City Local Law No. 57/87 and similar present or future laws, and regulations issued pursuant thereto, and also New York City Local Law No. 76 and similar present or future laws, and regulations issued pursuant thereto, on abatement, storage, transportation and disposal of asbestos and other hazardous materials, which work, if required, shall be effected at Tenant's sole cost and expense, and in strict compliance with the aforesaid rules and regulations which Landlord will enforce in a non-discriminatory manner to all Tenants in the Building. Notwithstanding anything to the contrary contained in this Lease, in the event of the existence of any deteriorated asbestos or deteriorated asbestos-containing material (collectively, "ACM") within the Premises, Landlord shall be responsible for the cost of removing, enclosing, encapsulating or otherwise managing such ACM to the extent required by applicable law; provided, however, that to the extent that Tenant has (i) disturbed such ACM, (ii) caused such ACM to become friable by the performance of any work or alterations in the Premises including, without limitation, any initial alterations performed by Tenant or (iii) installed such ACM, then Tenant shall remove, enclose, encapsulate or otherwise manage such ACM as required by applicable law at its sole cost and expense.

(iv) Tenant shall not at any time, either directly or indirectly, use any contractors or labor or materials in the Premises if the use of same would create any difficulty with other contractors or labor engaged by Tenant or Landlord or others in the construction, maintenance or operation of the Building or any part thereof.

(v) Tenant shall keep the Building and the Premises free and clear of all liens for any work or material claimed to have been furnished to Tenant or to the Premises.

(vi) Prior to the commencement of any work by or for Tenant, Tenant shall furnish to Landlord certificates evidencing the existence of the following insurance:

(a) Workmen's compensation insurance covering all persons employed for such work and with respect to whom death or bodily injury claims could be asserted against Landlord, Tenant or the Premises.

(b) Broad form general li ability insurance written on an occurrence basis naming Tenant as an insured and naming Landlord and its designees as additional insureds, with limits of not less than $3,000,000 combined single limit for personal injury in any one occurrence, and with limits of not less than $500,000 for property damage (the foregoing limits may be revised from time to time by Landlord to such higher limits as Landlord from time to time reasonably requires). Tenant, at its sole cost and expense, shall cause all such insurance to be maintained at all time when the work to be performed for or by Tenant is in progress. All such insurance shall be obtained from a company authorized to do business in New York and shall provide that it cannot be canceled without thirty (30) days prior written notice to Landlord. All polices, or certificates therefor, issued by the insurer and bearing notations evidencing the payment of premiums, shall be delivered to Landlord. Blanket coverage shall be acceptable, provided that coverage meeting the requirements of this paragraph is assigned to Tenant's location at the Premises.

(vii) All work to be performed by Tenant shall be done in a manner which will not materially interfere with or disturb other tenants and occupants of the Building.

(viii) Tenant agrees to employ the building consultant as Landlord shall, from time to time designate (the "Building Consultant") in connection with any and all filings, approvals, permits, licenses and consents issued or required to be made with or obtained from any and all governmental agencies or authorities in conjunction with any and all Alterations to the Premises or the Building which Tenant intends to perform or performs to the Premises, the Building or any part thereof (collectively, "Tenant Alterations"), provided that the prices charged and scope of services offered by the Building Consultant are comparable to those customarily charged and offered by other reputable New York City building consultants offering similar services in midtown Manhattan, or other comparable reputable consultants, only after consultation and coordination with Landlord's Building Consultant and provided that Tenant addresses, to the reasonable satisfaction of Landlord's Building Consultant, any concerns raised by Landlord's Building Consultant with regard to the effect of any such filings, approvals, permits, licenses and consents in connection therewith and Tenant pay to Landlord, as Additional Rent within twenty (20) days of demand, all reasonable costs, fees and expenses incurred by Landlord to Landlord's Building Consultant in connection therewith. Tenant agrees that other than the Building Consultant, it shall not employ any other building consultant, nor any individual, firm or organization for such purpose, without Landlord's prior written consent, in each instance which consent shall not be unreasonably withheld or delayed provided however that Landlord's previous experience with such consultant, and concerns regarding the financial stability of, and any criminal proceedings currently or previously pending against, a contractor or mechanic may form a basis upon which Landlord may withhold its consent.

(ix) The review and/or approval by Landlord, its agents, consultants and/or

contractors, of any Alteration or of plans and specifications therefor and the coordination of such Alteration work with the Building, as described in part above, are solely for the benefit of Landlord, and neither Landlord nor any of its agents, consultants or contractors shall have any duty toward Tenant; nor shall Landlord or any of its agents, consultants and/or contractors be deemed to have made any representation or warranty to Tenant, or have any liability, with respect to the safety, adequacy, correctness, efficiency or compliance with laws of any plans and specifications, Alterations or any other matter relating thereto.

(x) Promptly following the substantial completion of any Alterations for which Plans were prepared, Tenant shall submit to Landlord: (a) one (1) sepia and one (1) copy on floppy disk (using a current version of Autocad or such other similar software as is then commonly in use) of final, "as-built" plans for the Premises showing all such Alterations and demonstrating that such Alterations were performed substantially in accordance with plans and specifications first approved by Landlord and (b) an itemization of Tenant's total construction costs, detailed by contractor, subcontractors, vendors and materialmen; bills, receipts, lien waivers and releases from all contractors, subcontractors, vendors and materialmen; architects' and Tenant's certification of completion, payment and acceptance, and all governmental approvals and confirmations of completion for such Alterations.

ARTICLE 9

LIENS

9.01 With respect to contractors, subcontractors, materialmen and laborers, and architects, engineers and designers, for all work or materials for a single project having a cost of $100,000 or more, or projects being performed simultaneously which in the aggregate cost $100,000 or more to be furnished to Tenant at the Premises, Tenant agrees to obtain and deliver to Landlord written and unconditional waiver of mechanics liens upon the Premises or the Building after payments to the contractors, etc., subject to any then applicable provisions of the Lien Law. Notwithstanding the foregoing, Tenant at its expense shall cause any lien filed against the Premises or the Building, for work or materials claimed to have been furnished to Tenant, to be discharged of record within fourteen (14) days after notice thereof.

ARTICLE 10

REPAIRS

10.01 Tenant shall take good care of the Premises and the fixtures and appurtenances therein, and shall make all non-structural repairs necessary to keep them in good working order and condition (except where such repair is necessitate by Landlord's negligence or willful misconduct), including structural repairs when those are necessitated by the act, omission or negligence of Tenant or its agents, employees, invitees or contractors, subject to the provisions of Article 11 hereof. During the term of this Lease, Tenant may have the exclusive use of any air-conditioning equipment

servicing the Premises, subject to the provisions of Article 35 of this Lease, and shall pay, in accordance with Article 41 of this Lease, for electricity consumed by the equipment. ·the exterior walls and roofs of the Building, the mechanical rooms, service closets, shafts, areas above any hung ceiling and the windows and the portions of all window sills outside same are not part of the Premises demised by this Lease, and Landlord hereby reserves all rights to such parts of the Building. Tenant shall not paint, alter, drill into or otherwise change the appearance of the windows including, without limitation, the sills, jambs, frames, sashes, and meeting rails. Notwithstanding the foregoing, Tenant shall, at its sole cost and expense, maintain and repair, in good working order and condition, the cooling tower installed by Tenant pursuant to Article 55 and all other Building Systems installed in the Building by Tenant.

10.02 Landlord shall, at its sole cost and expense, in a first class manner, maintain and repair the roof, foundation, the common and public areas and structural portions of the Building, the elevator systems, the air-conditioning equipment servicing the 3rd Floor Premises for the period prior to the 3rd Floor Commencement Date, the air-conditioning equipment servicing the lobby of the Building (the "Lobby HVAC") and the plumbing, mechanical and electrical equipment and risers to the extent located outside of the Premises and not installed by Tenant (collectively, the "Building Systems"); provided however, that (a) repairs to the distribution portions of the Building Systems located within and serving the Premises shall be performed by Tenant at its sole cost and expense, and except where the need for such maintenance or repairs is caused by (i) the negligence or willful misconduct of Tenant, its members, partners, directors, officers, employees, representatives, · servants, invitees, permitted subtenant or permitted licensees, or (ii) a default by Tenant under the terms of this Lease, in either of which events such maintenance and repair shall be performed at. Tenant's cost and expense, payable upon demand as Additional Rent hereunder. Landlord shall use reasonable diligence to pursue repairs to the roof and building façade to correct the conditions causing the existing leaks in the Premises.

10.03 In the event that(i) Landlord shall fail to timely perform any repair required to be performed, or deliver any service required to be delivered to the Premises pursuant to the provisions of this Lease, and (ii) Tenant shall notify Landlord in writing of such failure, and (iii) such failure shall continue for a period of thirty (30) days after Landlord's receipt of notice (or, in the event of an emergency ("Critical Repair Items"), within twenty four (24) hours), or, if such observance or performance cannot be reasonably had within such thirty (30) day period, Landlord has not in good faith commenced such observance or performance within said thirty (30) day period and diligently prosecuted same thereafter, and (iv) such failure by Landlord shall persist for five (5) business days after receipt by Landlord of a second (2nd) notice in writing from Tenant notifying Landlord of the continued existence of said failure (provided that no such second notice is required in the case of Critical Repair Items), or if such observance or performance cannot be reasonably had within such five (5) business day period, Landlord has not in good faith commenced such observance or performance within said five (5) business day period and diligently prosecuted same thereafter; then Tenant may immediately or at any time thereafter and without further notice perform such repairs or such service ("Tenant's Self-Help Right") provided, however, that such performance involves or affects only facilities, systems, risers or portions of the Building located within or exclusively servicing the Premises (i.e., the HVAC System), but shall exclude repairs to the Building Systems outside the Premises, structural portions of the Building (i.e., the roof, foundation and load

bearing walls) and the elevator systems Tenant shall have the right to send an invoice to Landlord for the amount of any reasonable, out-of-pocket costs paid by Tenant in performing the obligations of Landlord pursuant to this Article. In the event Landlord fails to credit the amount of such invoice against the next accruing installment(s) of Fixed Annual Rent under this Lease within thirty (30) days of receipt of same, then Landlord shall be deemed to dispute the validity and amount of such invoice and Tenant shall have the right to submit such dispute to arbitration before the AAA or any successor thereto. If (a) such arbitration shall result in the rendering of a final judgment for a sum of money against Landlord, and Landlord shall fail to have such judgment vacated or the enforcement thereof stayed by a court of competent jurisdiction after final appeal, or (b) Landlord shall not dispute such invoice from Tenant, Landlord shall pay the amount of such invoice to Tenant by credit against the next accruing installment(s) of Fixed Annual Rent under this Lease, within thirty (30) days after (a) receipt of notice from Tenant in the case of (i), above or (b) receipt of such invoice from Tenant in the case of (ii), above. Notwithstanding anything to the contrary contained in this Article, Tenant shall not be entitled to exercise Tenant's Self-Help Right and to require Landlord to repay to Tenant the costs incurred in connection therewith in the event that Landlord's failure to make a repair or to provide a service required hereunder results from (i) any installation, alteration or improvement which was not performed by Tenant in accordance with the provisions of this Lease; or (ii) Tenant's default under the provisions of this Lease; or (iii) the negligence or willful misconduct of Tenant; or (iv) any other reason beyond the reasonable control of Landlord.

ARTICLE 11

FIRE OR OTHER CASUALTY

11.01 Damage by fire or other casualty to the Building and to the core and shell of the Premises (excluding the tenant improvements and betterments and Tenant's personal property) shall be repaired at the expense of Landlord ("Landlord's Restoration Work"), with reasonable diligence, but without prejudice to the rights of subrogation, if any, of Landlord's insurer to the extent not waived herein. Landlord shall not be required to repair or restore any of Tenant's property or any alteration, installation or leasehold improvement made in and/or to the Premises. If, as a result of such damage to the Building or to the core and shell of the Premises, the Premises are rendered untenantable, the Rent shall abate in proportion to the portion of the Premises not usable by Tenant from the date of such fire or other casualty until Landlord's Restoration Work is substantially completed. Landlord shall not be liable to Tenant for any delay in performing Landlord's Restoration Work, Tenant's sole remedy being the right to an abatement of Rent, as provided above. Tenant shall cooperate with Landlord in connection with the performance by Landlord of Landlord's Restoration Work. If the Premises are rendered wholly untenantable by fire or other casualty and if Landlord shall decide not to restore the Premises, or if the Building shall be so damaged that Landlord shall decide to demolish it or not to rebuild it (whether or not the Premises have been damaged), Landlord may within ninety (90) days after such fire or other cause give written notice to Tenant of its election that the term of this Lease shall automatically expire no less than ten (10) days after such notice is given. Notwithstanding the foregoing, each party shall look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty, and to the extent that such insurance is in force and collectible and to the

extent permitted by law, Landlord and Tenant each hereby releases and waives all right of recovery against the other or any one claiming through or under each of them by way of subrogation or otherwise. The foregoing release and waiver shall be in force only if both releasors' insurance policies contain a clause providing that such a release or waiver shall not invalidate the insurance and also, provided that such a policy can be obtained without additional premiums. Tenant hereby expressly waives the provisions of Section 227 of the Real Property Law and agrees that the foregoing provisions of this Article shall govern and control in lieu thereof

11.02 In the event that the Premises has been damaged or destroyed and this Lease has not been terminated in accordance with the provisions of this Article, Tenant shall (i) cooperate with Landlord in the restoration of the Premises and shall remove from the Premises as promptly as reasonably possible all of Tenant's salvageable inventory, movable equipment, furniture and other property and (ii) repair the damage to the tenant improvements and betterments and Tenant's personal property and restore the Premises with reasonable diligence following the date upon which the core and shell of the Premises shall have been substantially repaired by Landlord.

11.03 In the event that any portion of the Premises constituting at least one (1) full floor of the Building or greater (the "Untenantable Casualty Space") is rendered wholly untenantable due to fire or other casualty and Landlord has not substantially restored the core and shell of the Untenantable Casualty Space and access thereto excluding, without limitation, any alterations, improvements or betterments installed by Tenant in and to the Untenantable Casualty Space and any personal property, within one hundred and eighty (180) days after such fire or casualty subject to causes beyond the reasonable control of Landlord then, and in such event, Tenant may elect to cancel this Lease only and to the extent that it pertains to the Untenantable Casualty Space, upon written notice to Landlord within sixty (60) days after the end of such one hundred and eighty (180) day period and the term of this Lease, only and to the extent it pertains to the Untenantable Casualty Space, shall expire on the date set forth therein which shall be not less than thirty (30) days after the date such notice is given (the "Cancellation Date") provided that Landlord does not substantially restore the core and shell of the Untenantable Casualty Space prior to the Cancellation Date and provided further that Tenant surrenders to Landlord possession of the Untenantable Casualty Space on or before the Cancellation Date in the condition required by this Lease as if the Cancellation Date were the Expiration Date, in which event Tenant shall remain liable for any and all obligations under this Lease through the date of such fire or other casualty and the representations, covenants and warranties of Article 40 of this Lease (Brokerage & Indemnification) shall survive any such cancellation, as well as any other provisions of this Lease which, by their terms, survive cancellation.

11.04 For purposes of this Section 11.04, a "Major Casualty" shall mean damage or destruction (i) to the core and shell of all or substantially all (i.e., more than eighty-five (85%) percent) of the Premises or (ii) the Building to the extent that Tenant's access to the all or substantially all of the Premises has been substantially impaired. Provided that Landlord does not elect to terminate this Lease in accordance with the provisions of this Article, in the event of a Major Casualty, if there has been substantial damage or destruction to the Building or the Premises and: (i) Landlord shall not have substantially restored Tenant's access to the Premises and substantially completed the making of the required repairs to the core and shell of the Premises within twelve (12) months from the date of such Major Casualty, or within such period after such date (not exceeding

three (3) months) as shall equal the aggregate period Landlord may have been delayed in doing so by reasons of Force Majeure (defined below) or (ii) the estimated time by Landlord to restore Tenant's access to the Premises and substantially completed the making of the required repairs to the core and shell of the Premises is more than twelve (12) months after the occurrence of such Major Casualty, then, and in such event, Tenant may elect to terminate this Lease upon giving written notice to Landlord within thirty (30) days after the end of such twelve (12) month period, and as the same may be extended in accordance with the provisions hereof, and the term of this Lease shall expire on the date set forth therein which shall be not less than thirty (30) days after the date such notice is given (the "Cancellation Date") provided that Landlord does not substantially complete the required repairs to the Building or to the core and shell of the Premises, as the case may be, prior to the Cancellation Date. For purposes of this Article, "Force Majeure" shall mean the inability of Landlord to perform an obligation accruing under this Article by reason of accidents, strikes, the inability to secure a proper supply of fuel, gas, steam, water, electricity, labor or supplies, governmental restrictions, regulations or controls or by reason of any other similar cause beyond the reasonable control of Landlord.

ARTICLE 12

END OF TERM

12.01 Tenant shall surrender the Premises to Landlord at the expiration or sooner termination of this Lease in good order and condition, except for reasonable wear and tear and damage by fire or other casualty, and Tenant shall remove all of its property. Tenant agrees it shall indemnify and save Landlord harmless against all costs, claims, loss or liability resulting from delay by Tenant in so surrendering the Premises, including, without limitation, any claims made by any succeeding tenant founded on such delay. The parties recognize and agree that the damage to Landlord resulting from any failure by Tenant timely to surrender the Premises will be substantial, will exceed the amount of monthly Rent theretofore payable hereunder, and will be impossible of accurate measurement. Tenant therefore agrees that if possession of the Premises is not surrendered to Landlord on the Expiration Date or sooner termination of the Term of this Lease, then Tenant will pay Landlord as liquidated damages for each month and for each portion of any month during which Tenant holds over in the Premises after expiration or termination of the Term of this Lease, a sum equal one and one-half (1.5) times the average Rent and Additional Rent which was payable per month under this Lease during the last six months of the Term thereof for the first ninety (90) days of such holdover and thereafter time (2) times the average Rent and Additional Rent. Tenant shall also pay all Additional Rent as incurred in the normal course of operations under the Lease. Tenant shall not be responsible for any consequential damages to Landlord unless Tenant holds over in the Premises for a period of in excess of thirty (30) days. The aforesaid obligations shall survive the expiration or sooner termination of the Term of this Lease. At any time during the Term of this Lease, during business hours upon reasonable advance notice to Tenant (which may be given in person or by telephone), Landlord may exhibit the Premises to prospective purchasers or mortgagees of Landlord's interest therein. During the last year of the Term, Landlord may exhibit the Premises · to prospective tenants.

ARTICLE 13

SUBORDINATION AND ESTOPPEL, ETC.

13.01 Subject to the terms of this Article 13, this Lease, and all rights of Tenant hereunder, are, and shall continue to be, subject and subordinate in all respects to:

(1) all ground leases, overriding leases and underlying leases of the land and/or the building now or hereafter existing (provided however, Landlord hereby represents to Tenant that, as of the date of this Lease, Landlord's interest in the Premises is that of fee owner);

(2) all mortgages that may now or hereafter affect the land, the Building and/or any of such leases, whether or not such mortgages shall also cover other lands and/or buildings;

(3) each and every advance made or hereafter to be made under such mortgages;

(4) all renewals, modifications, replacements and extensions of such leases and such mortgages; and

(5) all spreaders and consolidations of such mortgages.

13.02 The provisions of Section 13.01 of this Article shall be self-operative, and no further instrument of subordination shall be required. In confirmation of such subordination, Tenant shall execute and deliver any instrument that Landlord, the lessor of any such lease, the holder of any mortgage or any of its successors in interest shall reasonably request (and Tenant reasonably approves, such approval not to be unreasonably withhold, conditioned or delayed) to evidence such subordination in the event that Tenant shall fail to execute and deliver any such instrument within ten (10) days after request therefor, and continues to fail to do so within ten (10) days of a second request by Landlord, then such failure shall constitute a material default by Tenant and, further, both Landlord and any designee of Landlord shall be entitled to rely on Tenant's silence as indication that this Lease is subordinate to any and all such leases and mortgages. The leases to which this Lease is, at the time referred to, subject and subordinate pursuant to this Article 13 are herein sometimes called "superior leases", the mortgages to which this Lease is, at the time referred to, subject and subordinate are herein sometimes called "superior mortgages", the lessor of a superior lease or its successor in interest at the time referred to is sometimes herein called a "lessor" and the mortgagee under a superior mortgage or its successor in interest at the time referred to is sometimes herein called a "mortgagee".

13.03 In the event of any act -or omission of Landlord that would give Tenant the right, immediately or after lapse of a period of time, to cancel or terminate this Lease, or to claim a

partial or total eviction, Tenant shall not exercise such right (unless pursuant to an express provision in the Lease (e.g., casualty or condemnation) until:

(i) it has given written notice of such act or omission to the mortgagee of each superior mortgage and the lessor of such superior lease whose name and address shall previously have been furnished to Tenant; and

(ii) a reasonable period for remedying such act or omission shall have elapsed following the giving of such notice and following the time when such mortgagee or lessor shall have obtained possession of the Premises and become · entitled under such superior mortgage or superior lease, as the case may be, to remedy the same (which reasonable period shall in no event be less than the period to which Landlord would be entitled under this Lease or otherwise, after similar notice, to effect such remedy or more than thirty (30) days after notice to such mortgagee or lessor). Nothing contained herein shall obligate such lessor or mortgagee to remedy such act or omission.

13.04 If the lessor of a superior lease or the mortgagee of a superior mortgage shall succeed to the rights of Landlord under this Lease, whether through possession or foreclosure action or delivery of a new lease or deed, then, at the request of such party so succeeding to Landlord's rights (hereinafter sometimes called a "successor landlord"), and upon such successor landlord's written agreement to accept Tenant's attornment, Tenant shall attorn to and recognize such successor landlord as Tenant's landlord under this Lease, and shall promptly execute and deliver any instrument that such successor landlord may reasonably request to evidence such attornment. Upon such attornment this Lease shall continue in full force and effect as, or as if it were, a direct lease between such successor landlord and Tenant upon all of the terms, conditions and covenants as are set forth in this Lease and shall be applicable after such attornment, except that such successor landlord shall not be subject to any offset (except any rent offsets or credits expressly provided in this Lease or awarded by a court, arbitrator or other dispute resolution mechanism, if any) or liable for any previous act or omission of Landlord under this Lease.

13.05 If, in connection with obtaining financing or refinancing for the Building, a banking, insurance, or other lender shall request reasonable modifications to this Lease as a condition to such financing or refinancing, Tenant shall not unreasonably withhold, delay, or defer its consent thereto, provided that such modifications do not materially increase the obligation, materially decrease the rights, or increase the monetary obligations, of Tenant hereunder. In no event shall a requested modification of this Lease requiring Tenant to perform the following be deemed to adversely affect the leasehold interest hereby created:

(i) give notice of any default by Landlord under this Lease to such lender and/or permit the curing of such defaults by such lender; and

(ii) obtain such lender's consent for any modification of this Lease.

13.06 This Lease may not be modified or amended so as to reduce the Rent, shorten the term, or otherwise materially affect the rights of Landlord hereunder, or be canceled or surrendered, without the prior written consent in each instance of the ground lessors and of any mortgagees whose mortgages shall require such consent. Any such modification, agreement, cancellation or surrender made without such prior written consent shall be null and void as to such lessor or mortgagee.

13.07 Subject to the provisions of any SNDA Agreement (as defined in Section 13.09, below) obtained by Landlord in favor of Tenant and executed and delivered by all parties thereto, Tenant agrees that if this Lease terminates, expires or is canceled for any reason or by any means whatsoever by reason of a default under a ground lease or mortgage, and the ground lessor or mortgagee so elects by written notice to Tenant, this Lease shall automatically be reinstated for the balance of the term which would have remained but for such termination, expiration or cancellation, at the same rental, and upon the same agreements, covenants, conditions, restrictions and provisions herein contained, with the same rental, and upon the same agreements, covenants, conditions, restrictions and provisions herein contained, with the same force and effect as if no such termination, expiration or cancellation had taken place. Tenant covenants to execute and deliver any instrument required to confirm the validity of the foregoing.

13.08 From time to time, Tenant, on at least ten (10) business days' prior written request by Landlord, shall deliver to Landlord a statement ("Estoppel Certificate") in writing certifying that this Lease is unmodified and in full force and effect (or if there shall have been modifications, that the same is in full force and effect as modified and stating the modifications) and the dates to which the Rent and other charges have been paid and stating whether or not Landlord is in default in performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default. Not more frequently than twice during each year of the Term hereof, Landlord, on at least ten (10) days' prior written request by Tenant, shall deliver to Tenant an Estoppel Certificate with respect to the Lease and the status of Tenant's performance thereunder.

13.09 A. For purposes hereof: (i) ground leases and the mortgages are sometimes hereinafter referred to individually as a "Senior Interest" and collectively as the "Senior Interests", and (ii) ground lessors, ground lessees and mortgagees are sometimes hereinafter referred to individually as a "Senior Interest Holder" and collectively as the "Senior Interest Holders".

B. Notwithstanding anything to the contrary contained in this Lease, upon execution and delivery of this Lease by Landlord and by Tenant, Landlord shall obtain for the benefit of, and deliver to, Tenant a subordination, attornment and non-disturbance agreement (an "SNDA Agreement") with each of the Senior Interest Holders in the form annexed hereto and made a part hereof as "**Exhibit D**". Under no circumstances shall the Senior Interest Holders be bound by any credit for Rent which may have been paid by Tenant for more than the then-current month. Any fees or costs imposed by the Senior Interest Holders or their attorneys in connection with obtaining such SNDA Agreements shall be paid by Tenant provided, however, that Landlord shall notify Tenant of the projected fees and costs prior to incurring the same. Tenant agrees to execute and acknowledge all such SNDA Agreements and return same to Landlord within ten (10) days after Landlord's written request therefor. In the event that Tenant fails to so execute any such SNDA Agreement and deliver

same to Landlord within said ten (10) days and continues to fail to do so within ten (10) days of a second written request by Landlord, then such failure shall constitute a waiver by Tenant of Landlord's obligation hereunder to obtain an SNDA Agreement from such Superior Interest.

C. Notwithstanding anything to the contrary contained in this Lease, with respect to any entity that may hereinafter come to hold a ground or underlying lease or mortgage, which is superior to the interest of Landlord in the Building and/or the Premises (a "Future Senior Interest"), Landlord shall obtain for the benefit of Tenant an SNDA Agreement with each such Future Senior Interest. Said SNDA Agreements will be in the form then customarily used by each such Future Senior Interest. Tenant agrees to execute and acknowledge all such SNDA Agreements and return same to Landlord within ten (10) days after Landlord's written request therefor. In the event that Tenant fails to so execute any such SNDA Agreement and deliver same to Landlord within said ten (10) days and continues to fail to do so within ten (10) days of a second written request by Landlord, then such failure shall constitute a waiver by Tenant of Landlord's obligation hereunder to obtain an SNDA Agreement from such Future Senior Interest. Landlord shall have no liability to Tenant for its failure to obtain any such SNDA Agreement referred to in this Section C, however in such event, this Lease and all right of Tenant hereunder shall not be subordinate to such Future Senior Interests and the holders of such Future Senior Interests unless and until Landlord obtains for Tenant an SNDA Agreement from the holder of each such Future Senior Interest.

ARTICLE 14

CONDEMNATION

14.01 If the whole or any substantial part of the Premises shall be condemned by eminent domain or acquired by private purchase in lieu thereof, for any public or quasi-public purpose, this Lease shall terminate on the date of the vesting of title through such proceeding or purchase, and Tenant shall have no claim against Landlord for the value of any unexpired portion of the Term of this Lease, nor shall Tenant be entitled to any part of the condemnation award or private purchase price. Notwithstanding anything to the contrary set forth above, Tenant shall not be prohibited from making a claim in any condemnation proceeding for the value of its unaffixed, moveable property and for its relocation expenses, provided that such claim does not in any manner prejudice, prohibit or diminish Landlord's claims or the value of any award to Landlord. If less than a substantial part of the Premises is condemned, this Lease shall not terminate, but Rent shall abate in proportion to the portion of the Premises condemned.

ARTICLE 15

REQUIREMENTS OF LAW

15.01 Tenant at its expense shall comply with all laws, orders and regulations of any governmental authority having or asserting jurisdiction over the Premises, which shall impose any violation, order or duty upon Landlord or Tenant with respect to the Premises or the use or

occupancy thereof during the Term and any renewals or extensions thereof, including, without limitation, compliance in the Premises with all City, State and Federal laws, rules and regulations on the disabled or handicapped, on fire safety and on hazardous materials (collectively, "Applicable Laws").The foregoing shall not require Tenant perform compliance work necessitated by the acts or omissions of Landlord nor shall Tenant be required to do structural work to the Building unless such violation, order or duty shall arise from (i) the particular use or manner of any use or occupancy of the Premises by Tenant or any person claiming through or under Tenant, or (ii) a condition created by Tenant or any person claiming under or through Tenant or any of their respective agents, contractors, employees, licensees, guests or invitees (including, without limitation, any Alteration or improvement in the Premises), or (iii) a breach of Tenant's obligations under this Lease or the negligence of Tenant or its agents, contractors, employees, licensees, guests or invitees. Landlord shall comply with all Applicable Laws affecting the Building except to the extent that Tenant is required to comply with such Applicable Laws hereunder. Notwithstanding the foregoing, Landlord shall make any necessary corrections and/or modifications to the ground floor gate located on the front of the Building in order to comply with all Applicable Laws with reasonable diligence after the date hereof, subject to delay by causes beyond its control or by the action or inaction of Tenant.

15.02 Tenant shall require every person engaged by him to clean any window in the Premises from the outside, to use the equipment and safety devices required by Section 202 of the Labor Law and the rules of any governmental authority having or asserting jurisdiction.

15.03 Tenant at its expense shall comply with all requirements of the New York Board of Fire Underwriters, or any other similar body affecting the Premises, and shall not use the Premises in a manner which shall increase the rate of fire insurance of Landlord or of any other tenant, over that in effect prior to this Lease and as of the date hereof, Landlord acknowledges, to the best of its knowledge, that Tenant's permitted use hereunder shall not increase such rate. If Tenant's use of the Premises increases the fire insurance rate, Tenant shall reimburse Landlord for all such increased costs. That the Premises are being used for the purpose set forth in Article 1 hereof shall not relieve Tenant from the foregoing duties, obligations and expenses.

ARTICLE 16

CERTIFICATE OF OCCUPANCY

16.01 Tenant will at no time use or occupy the Premises in violation of the certificate of occupancy issued for the Building. The statement in this Lease of the nature of the business to be conducted by Tenant shall not be deemed to constitute a representation or guaranty by Landlord that such use is lawful or permissible in the Premises under the certificate of occupancy for the Building.

ARTICLE 17

POSSESSION

17.01 The parties acknowledge and agree that it currently occupies the Premises pursuant to preexisting lease agreements therefore, each of which is being cancelled of even date herewith by separate agreement between the parties.

17.02 If Landlord shall be unable to give possession of the 3rd Floor Premises on the 3rd Floor Commencement Date because of any reason beyond the reasonable control of Landlord, then in such event Landlord shall not be subject to any liability for such failure, and this Lease shall stay in full force and effect without extension of its Term; however, the Rent, with respect to the 3 rd Floor Premises only, shall not commence until the 3rd Floor Premises are available for occupancy by Tenant. Landlord shall use commercially reasonable efforts to give possession of the 3rd Floor Premises to Tenant before December 1, 2008. If delay in possession is due to work, changes or decorations being made by or for Tenant, or is otherwise caused by Tenant, there shall be no rent abatement and the Rent shall commence on the date specified in this Lease. The provisions of this Article are intended to constitute an "express provision to the contrary" within the meaning of Section 223(a), New York Real Property Law.

ARTICLE 18

QUIET ENJOYMENT

18.01 Landlord covenants that as long as this Lease is in effect, Tenant may peaceably and quietly enjoy the Premises, subject to the terms, covenants and conditions of this Lease and to the ground leases, underlying leases and mortgages hereinbefore mentioned to which this Lease is subject.

ARTICLE 19

RIGHT OF ENTRY

19.01 Tenant shall permit Landlord to erect, construct and maintain pipes, conduits and shafts in and through the Premises provided that they are concealed, erected along perimeter walls wherever possible and are installed in a manner which does not interfere with Tenant's use of the Premises or materially reduce the usable area of the Premises. Landlord or its agents shall have the right to enter or pass through the Premises at reasonable times, upon reasonable advance notice to Tenant (which may be given in person or by telephone) and, in the event of an emergency, by master key, by reasonable force or otherwise, to examine the same, and to make such repairs, alterations or additions as it may deem necessary or desirable to the Premises or the Building, and to take all material into and upon the Premises that may be required therefor. Such entry and work shall not constitute an eviction of Tenant in whole or in part, shall not be grounds for any abatement of Rent,

and shall impose no liability on Landlord by reason of inconvenience or injury to Tenant's business. Landlord shall use reasonable efforts to minimize interference with Tenant's normal business activities within the Premises provided, however, that Tenant acknowledges and agrees that at, Landlord 's election, all such work shall be performed on normal business days during normal business hours, unless Tenant requests and pays Landlord incremental difference in cost for overtime or premium labor. Landlord shall have the right at any time, without the same constituting an actual or constructive eviction, and without incurring any liability to Tenant, to change the arrangement and/or location of entrances or passageways, windows, corridors, elevators, stairs, toilets, or other public parts of the Building provided that same has no material adverse effect on Tenant, and to change the designation of rooms and suites and the name or number by which the Building is known.

ARTICLE 20

INDEMNITY

20.01 Tenant shall indemnify, defend and save Landlord harmless from and against any liability, loss, claims, demands, damages or expenses (including reasonable attorneys' fees, disbursements and court costs) in connection with third party claims arising from the use or occupation of the Premises by Tenant, or anyone on the Premises with Tenant's permission, or from any breach of this Lease, or from any negligent act or omission of Tenant or any one claiming through or under Tenant and any of their agents, contractors, employees, servants, licensees or visitors (unless caused by the negligence or willful misconduct of Landlord). The provisions of this Section shall survive the Expiration Date or sooner termination of the Term.

ARTICLE 21

LANDLORD'S LIABILITY, ETC.

21.01 This Lease and the obligations of Tenant hereunder shall not in any way be affected because Landlord is unable to fulfill any of its obligations or to supply any service, by reason of strike or other cause not within Landlord's control except as otherwise expressly provided herein. Landlord shall have the right, without incurring any liability to Tenant, upon reasonable advance notice to Tenant (which may be given in person or by telephone), to stop any service because of accident or emergency, or for repairs, alterations or improvements, necessary or desirable in the reasonable judgment of Landlord, until such repairs, alterations or improvements shall have been completed. Landlord shall use reasonable efforts to minimize interference with Tenant's normal business activities within the Premises provided, however, that Tenant acknowledges and agrees that at, Landlord's election, all such repairs, alterations or improvements shall be performed on normal business days during normal business hours, unless Tenant requests and pays Landlord incremental difference in cost for overtime or premium labor. Landlord shall not be liable to Tenant or anyone else, for any loss or damage to person, property or business; nor shall Landlord be liable for any latent defect in the Premises or the Building. Neither the partners, entities or individuals

comprising the Landlord, nor the agents, directors, or officers or employees of any of the foregoing shall be liable for the performance of the Landlord's obligations hereunder. Tenant agrees to look solely to Landlord's estate and interest in the land and Building, or the lease of the Building or of the land and Building, and the Premises, and any sale proceeds derived there from, for the satisfaction of any right or remedy of Tenant for the collection of a judgement (or other judicial process) requiring the payment of money by Landlord, and in the event of any liability by Landlord, no other property or assets of Landlord or of any of the aforementioned parties shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease, the relationship of Landlord and Tenant hereunder, or Tenant's use and occupancy of the Premises or any other liability of Landlord to Tenant.

21.02 If Landlord fails to make any repair or :furnish any service Landlord is obligated to provide under this Lease and such failure persists for five (5) consecutive business days after notice from Tenant (or, in the event such repair cannot be commenced and completed in such five (5) consecutive business day period; then provided Landlord has not commenced and continued to diligently prosecute such repair within said five (5) consecutive business day period) and, as a result of such failure by Landlord, Tenant shall be unable to use and shall have discontinued its use and occupancy of all or any affected portion of the Premises, then Tenant shall be entitled to an abatement of fixed annual rent allocable to such portion of the Premises which is not usable and is not used or occupied for each day after said five (5) consecutive business day period until said repair is substantially completed by Landlord provided further, however, that Tenant shall not be entitled to an abatement of rent in the event that such failure results from (i) any installation, alteration or improvement which is not performed by Tenant in a good workmanlike manner; (ii) default by Tenant under the terms of this Lease; (iii) reasons beyond Landlord's reasonable control; or (iv) the negligence, tortious conduct or willful misconduct of Tenant, its employees, servants, representatives or invitees.

ARTICLE 22

CONDITION OF PREMISES

22.01 A. The parties acknowledge and agree that Tenant currently occupies the Existing Premises pursuant to preexisting lease agreements therefore, each of which is being cancelled of even date herewith by separate agreement between the parties, and that Tenant is, therefore, fully familiar with the physical condition of the Building and the Existing Premises and Tenant agrees to accept the Existing Premises at the commencement of the Term in its then "as is" condition, except to the extent expressly provided for in this Article 22.

B. Tenant acknowledges and agrees that Tenant has inspected the 3rd Floor Premises, is fully familiar with the physical condition thereof and agrees to accept possession of the 3rd Floor Premises vacant, free of personal property, broom clean and otherwise in "as is" condition as of the 3rd Floor Commencement Date; provided however, Landlord shall seal all openings and penetrations in connection therewith the passageway between the 250 Building (as defined in Article 56 herein) and the 3rd Floor Premises ("Landlord's 3rd Floor Work").

C. Tenant acknowledges and agrees that Landlord shall have no obligation to do any work in or to the Premises in order to make it suitable and ready for occupancy and use by Tenant under this Lease, except to the extent otherwise expressly provided for in this Article 22.

22.02 Subject to the provisions of this Article, Landlord shall perform the work to the Building set forth on the schedule annexed hereto as **Exhibit E** in a building standard manner using building standard materials in all instances unless expressly specified ("Landlord's Existing Premises Work"), Landlord's 3rd Floor Work and Landlord's Existing Premises Work being collectively referred to herein as " Landlord's Work"), subject to delay by causes beyond its control or by the action or inaction of Tenant. Landlord, or Landlord's designated agent, shall perform Landlord's Work with reasonable dispatch, ·subject to delay by causes beyond its control or by the action or inaction of Tenant, or by Force Majeure (as defined in Article 55 hereof). Tenant acknowledges and agrees that the performance of Landlord's Work is expressly conditioned upon compliance by Tenant with all the terms and conditions of (i) this Article (including, without limitation, Section 22.03 hereof) and, (ii) the Lease, including payment of Rent.

22.03 Tenant acknowledges and agrees that (a) Landlord's Work will be performed while Tenant remains in occupancy of the Premises and that such work shall not constitute an eviction of Tenant in whole or in part, constructive or actual, and shall not be a ground for any abatement of rent and shall not impose liability on the Landlord by reason of any inconvenience, injury to Tenant's business or otherwise and (b) in order to facilitate the performance by Landlord of Landlord' s Work without delay and/or additional expense to Landlord, Tenant shall promptly upon request and at its sole cost and expense relocate to other areas of the Premises all materials, personalty, furnishings, personal property, fixtures, trade fixtures and equipment presently located therein as reasonably designated by Landlord. Landlord shall use reasonable efforts to minimize interference with Tenant's normal business activities while performing Landlord's Work provided, however, that Tenant acknowledges and agrees that all work shall be performed on normal business days during normal business hours. Notwithstanding the foregoing, in the event that Tenant requests that Landlord perform Landlord's Work during times other than ordinary business hours, and such labor is then available, Tenant shall be responsible for the cost of such overtime or premium labor charges as the case may be.

22.04 Landlord's Work shall be deemed to be substantially completed notwithstanding that (i) minor or non-material details of construction, mechanical adjustment or decoration remain to be performed, provided, that said "Punch List Items" shall be completed by Landlord within a reasonable time thereafter or (ii) a portion of Landlord's Work is incomplete because construction scheduling requires that such work be done after incomplete finishing or after

other work to be done by or on behalf of Tenant is completed.

ARTICLE 23

CLEANING

23.01 Tenant shall, at Tenant's expense, keep the Premises, including the windows, clean and in order, to the reasonable satisfaction of Landlord, and for that purpose shall employ a reputable contractor, or other person or persons, or corporation approved by the Landlord. Tenant shall, at its sole cost and expense, remove all rubbish from the Premises and the Building on a regular basis consistent with good practice in office buildings of similar age, size and character in midtown Manhattan and in compliance with all applicable laws, codes, rules and regulations, by means of duly licensed professionals subject to the prior written consent of Landlord, which shall not be unreasonably withheld provided that such cleaning contractor does not employ any labor or materials in the Premises which would create any difficulty with other contractors or labor engaged by Tenant or Landlord or others in the construction, maintenance or operation of the Building or any part thereof, and further subject, however, to Landlord's right to revoke such approval in the event that (A) there occurs any negative experience beyond a de minimis extent with such contractor (including, without limitation, that they: (i) fail to prosecute work in a manner consistent with good business or trade practice, (ii) default on their obligations to Landlord, Tenant or other tenants of the Building, or (iii) conduct themselves in an unprofessional or disreputable manner in or about the Building) or (B) reasonable concerns arise regarding the financial stability of, or any criminal proceedings pending against, any such contractors or licensed professionals.

ARTICLE 24

JURY WAIVER

24.01 Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim involving any matter whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises or involving the right to any statutory relief or remedy. Tenant will not interpose any counterclaim of any nature (other than a compulsory counterclaim) in any summary proceeding.

ARTICLE 25

NO WAIVER, ETC.

25.01 No act or omission of Landlord or its agents shall constitute an actual or constructive eviction, unless Landlord shall have first received written notice of Tenant's claim and shall have had a reasonable opportunity to meet such claim. In the event that any payment herein provided for by Tenant to Landlord shall become overdue for a period in excess of seven (7) days,

then at Landlord's option, a "late charge" shall become due and payable to Landlord, as Additional Rent, equal to five (5%) percent of the then outstanding balance of unpaid Fixed Annual Rent and Additional Rent; provided further that in the event that Tenant fails to pay the "late charge" and the unpaid Fixed Annual Rent and Additional Rent by the twentieth (20th) day of the calendar month which such payment was first due, Tenant shall pay to Landlord, as Additional Rent, an additional fee, which shall not be or be deemed a penalty, but instead shall be deemed reasonably calculated to compensate Landlord, in part, for costs or expenses paid or incurred by Landlord resulting from Tenant's failure to make timely payment under this Lease (both parties recognize and agree that the damage to Landlord resulting from any failure by Tenant timely pay Fixed Annual Rent and Additional will be substantial due to Tenant's occupancy of the entire rentable office space within the Building, and will be impossible of accurate measurement}, at the following rates: a rate (the "Interest Rate") equal to two (2%) percent above the prime rate of interest charged by JP Morgan Chase, New York, (or the successor thereto) at the time such payment first becomes due and compounding on the twentieth (20^{Th}) day of each calendar month thereafter until paid in full. No act or omission of Landlord or its agents shall constitute an acceptance of a surrender of the Premises, except a writing signed by Landlord. The delivery or acceptance of keys to Landlord or its agents shall not constitute a termination of this Lease or a surrender of the Premises. Acceptance by Landlord of less than the Rent herein provided shall at Landlord's option be deemed on account of earliest Rent remaining unpaid. No endorsement on any check, or letter accompanying Rent, shall be deemed an accord and satisfaction, and such check may be cashed without prejudice to Landlord. No waiver of any provision of this Lease shall be effective, unless such waiver be in writing signed by the party to be charged. In no event shall Tenant be entitled to make, nor shall Tenant make any claim, and Tenant hereby waives any claim for money damages (nor shall Tenant claim any money damages by way of set-off, counterclaim or defense) based upon any claim or assertion by Tenant that Landlord had unreasonably withheld, delayed or conditioned its consent or approval to any request by Tenant made under a provision of this Lease. Tenant's sole remedy shall be an action or proceeding to enforce any such provision, or for specific performance or declaratory judgment, except as otherwise provided in Section 21 above. Tenant shall comply with the rules and regulations contained in this Lease, and any reasonable modifications thereof or additions thereto. Landlord shall not be liable to Tenant for the violation of such rules and regulations by any other tenant. Failure of Landlord to enforce any provision of this Lease, or any rule or regulation, shall not be construed as the waiver of any subsequent violation of a provision of this Lease, or any rule or regulation. This Lease shall not be affected by nor shall Landlord in any way be liable for the temporary closing, darkening or bricking up of windows in the Premises, for any reason, including as the result of construction on any property of which the Premises are not a part or by Landlord's own non-negligent acts. Landlord agrees that it shall not permanently close, darken or bricken up windows in the Premises unless required by law, rule, regulation or code of any governmental authority having jurisdiction.

ARTICLE 26

OCCUPANCY AND USE BY TENANT

26.01 If this Lease is terminated because of Tenant's default hereunder, then, in

addition to Landlord's rights of re-entry, restoration, preparation for and rerental, and anything elsewhere in this Lease to the contrary notwithstanding, at Landlord's election, all Rent and Additional Rent reserved in this Lease from the date of such breach to the expiration date of this Lease shall become immediately due and payable to Landlord and Landlord shall retain its right to judgment on and collection of Tenant's aforesaid obligation to make a single payment to Landlord of a sum equal to (i) the amount by which (x) the Fixed Annual Rent and Additional Rent payable hereunder for the period to the Expiration Date from the date of such breach, exceeds (y) the then fair and reasonable rental value of the Premises for the same period, both discounted at the prime rate of interest charged by JP Morgan Chase, New York, (or the successor thereto) on the date of such breach to present worth, and (ii) all reasonable out-of-pocket expenses of Landlord in obtaining possession of, and in effecting the reletting of the Premises including, without limitation, alteration costs, commissions, concessions and legal fees. In no event shall Tenant be entitled to a credit or repayment for rerental income which exceeds the sums payable by Tenant hereunder or which covers a period after the original Term of this Lease.

ARTICLE 27

NOTICES

27.01 Any bill, notice or demand from Landlord to Tenant, may be delivered personally at the Premises or sent by registered or certified mail or by any nationally recognized overnight delivery service and addressed to Tenant at the Premises or at the address first set forth herein, Attn: Chief Financial Officer. A copy of any notice of default given to Tenant hereunder shall also be sent for informational purposes only to Tenant at the Premises, Attn: General Counsel and to Davis & Gilbert LLP, 1740 Broadway, New York, NY 10019, Attn: Jeffrey Morass, Esq., provided, however, that Landlord's failure to do so shall not affect in any way the validity or effectiveness of any such notice. Such bill, notice or demand shall be deemed to have been given at the time of delivery, if delivered by hand, three (3) business days after mailing or receipt by such delivery, if sent by registered or certified mail, or the next business day after mailing or receipt of such delivery, if sent by overnight delivery. Notwithstanding the foregoing, bills sent from Landlord in the ordinary course of business to Tenant may be sent through regular mail and shall be deemed to have been given two (2) business days after mailing or receipt by such delivery. Any notice, request or demand from Tenant to Landlord must be sent by registered or certified mail to the last address designated in writing by Landlord and shall be deemed to have been given three (3) business days after mailing or receipt. Either party may designate a different address for which notices are to be sent by delivering such designation to the other party in accordance with the provisions of this Article.

ARTICLE 28

WATER

28.01 Landlord shall permit Tenant to obtain water service to the Premises through

the presently existing water facilities servicing the Premises to the extent presently available and safely capable of providing such service, subject to the provisions of this Article. Tenant shall pay the amount of Landlord's cost for all excessive water used by Tenant for any purpose other than ordinary lavatory, cleaning and pantry uses, and any sewer rent or tax based thereon. Landlord may install a water meter to measure Tenant's water consumption for all purposes and Tenant agrees to pay for the installation and maintenance thereof and for any such excess water consumption as shown on said meter at Landlord's cost therefor plus Landlord's actual meter reading charge. If water is made available to Tenant in the Building or the Premises through a meter which also supplies other Premises, or without a meter, then Tenant shall pay to Landlord a reasonable charge per month for any such excess water. Landlord reserves the right to discontinue water service to the Premises in the case of emergency, or if required by law, rule, regulation or code of any governmental authority having jurisdiction without releasing Tenant from any liability under this Lease and without Landlord or Landlord's agent incurring any liability for any damage or loss sustained by Tenant by such discontinuance of service.

ARTICLE 29

SPRINKLER SYSTEM

29.01 If there shall be a "sprinkler system" in the Premises for any period during this Lease, and if such sprinkler system is damaged by any act or omission of Tenant or its agents, employees, licensees or visitors, Tenant shall restore the system to good working condition at its own expense. If the New York Board of Fire Underwriters, the New York Fire Insurance Exchange, the Insurance Services Office, or any governmental authority requires the installation of, or any alteration to a sprinkler system in the Premises by reason of Tenant's particular manner of occupancy or use of the Premises, including any alteration necessary to obtain the full allowance for a sprinkler system in the fire insurance rate of Landlord, or for any other reason, Tenant shall make such installation or alteration promptly, and at its own expense.

ARTICLE 30

HEAT, ELEVATOR, ETC.

30.01 Tenant shall have access to the Premises twenty-four (24) hours a day, three hundred sixty-five (365) days a year, subject to the provisions of this Lease and to causes beyond the reasonable control of Landlord. Landlord shall provide normal elevator service during Tenant's business hours (i.e., Monday to Friday, excluding holidays, between the hours of 8:00 a.m. and 9:00 pm) and including Saturdays from 8:00 a.m. until p.m., except on Sundays, State holidays, Federal holidays, or Building Service Employees Union Contract holidays. Notwithstanding the foregoing, Landlord shall provide a minimum of one (1) passenger elevator from the lobby of the Building to the Premises twenty-four (24) hours per day, seven (7) days per week, subject to all other applicable provisions of the Lease. If the elevators in the Building are manually operated, Landlord may convert to automatic elevators at any time, without in any way affecting Tenant's obligations

hereunder.

30.02 Landlord shall furnish heat to the Premises during normal business days (i.e., Monday through Friday) from 8:00 a.m. until 6:00 p.m. during the cold season in each year. In the event Tenant shall require heat to the Premises other than on the above referenced days and hours, but during the cold season, Landlord shall furnish such heat provided that written notice is hand delivered to Landlord at Landlord's office in the Building, or such other· address designated by Landlord, not less than twenty-four (24) hours prior to the date for which such service is requested and shall use reasonable efforts to supply such requested service if less notice is give to Landlord. Tenant shall reimburse Landlord, as Additional Rent, within fifteen (15) days of Landlord's demand, $3,000.00 per month during the months of November through April for such after hour heat service.

ARTICLE 31

SECURITY DEPOSIT

31.01 Landlord and Tenant acknowledge that Tenant is the tenant under that certain lease agreements (the "Existing Leases") between Landlord and Tenant, covering the Existing Premises. Landlord and Tenant acknowledge and agree that Tenant previously deposited with Landlord, by Tenant, the sum of$1,125,000.00 (the "Security") as and for its security deposit under the Existing Lease and Tenant hereby authorizes Landlord and Landlord agrees to retain said Security subject to and in accordance with the terms of Article 31 of this Lease, for the performance by Tenant of the terms of this Lease. Landlord may use any part of the Security to satisfy any default of Tenant and any expenses arising from such default, including but not limited to late fees, legal fees and any damages or rent deficiency before or after re-entry by Landlord. Tenant shall, upon demand, deposit with Landlord the full amount so used, and/or any amount not so deposited by Tenant, in order that Landlord shall have the full Security deposit on hand at all times during the term of this Lease. If Tenant shall comply fully with the terms of this Lease, the Security shall be returned to Tenant after the date fixed as the end of the Lease. In the event of a sale or lease of the Building containing the Premises, Landlord may transfer the Security to the purchaser or tenant, and Landlord shall thereupon be released from all liability for the return of the Security. This provision shall apply to every transfer or assignment of the Security to a new Landlord. Tenant shall have no legal power to assign or encumber the Security herein described.

31.02 (a) Within five (5) business days of execution and delivery of this Lease and Tenant's receipt of the executed SNDA by the Senior Interest Holder, Tenant shall deliver into escrow to Escrowee, as and for security hereunder a clean, irrevocable and unconditional letter of credit in an amount equal to $1,250,000.00 (the "LOC") as a replacement for the above cash deposit (the "Cash Security") which shall comply and conform in all material respects with the form annexed hereto and made apart hereof as "Exhibit F." In the event that Tenant fails to strictly and timely comply with the provisions hereof, Tenant shall no longer have the right to replace the Cash Security with the LOC and shall immediately, without demand, deposit with Landlord as additional Security under the Lease, the sum of $125,000.00 (the "Additional Cash Security"), so that the total amount of the Cash Security held by Landlord under the Lease shall be$1,250,000.00 and Landlord shall continue

to hold the Cash Security for its intended purposes.

(b) Upon Tenant's delivery of the LOC to Escrowee and within sixty (60) days of the date on which the Senior Interest Holder approves of the Lease and executes and delivers the SNDA to Landlord, Landlord shall return to Tenant the amount of Cash Security deposited with Landlord, and upon Landlord's return of the Cash Security to Tenant, Escrowee shall promptly release the Letter of Credit from escrow and deliver same to Landlord.

(c) In the event that Tenant has delivered the Letter of Credit to Escrowee and Landlord does not deliver to Tenant the Cash Security within the sixty (60) day period referenced above, and provided that (i) Tenant gives both Landlord (Attn: Ralph Sitt) and Escrowee notice thereof, and (ii) Landlord fails to so reimburse Tenant within twenty (20) days thereafter, and (iii) provided that at all relevant times Tenant is not in default of this Lease after notice (in which event Tenant's rights under this Section 31.02(c)shall be suspended until the earlier of(a) Tenant's timely and full cure of the default alleged in such notice, at which time Tenant's rights hereunder shall be reinstated, and (b) the expiration of Tenant's time in which to cure such default without curing the same, at which time Tenant's offset rights hereunder shall be extinguished, but without forfeiture of Tenant's interest in the Cash Security or right to judicially recover the same or credit therefor from Landlord), Tenant may offset amount of Cash Security in six (6) equal monthly installments as against the next accruing six (6) monthly installments of Fixed Annual Rent due under this Lease. No earlier than thirty (30) days before the last day of the six (6) month period referenced above, but no later than five (5) days after the last day of the six (6) month period referenced above, time being of the essence, Tenant shall give notice to Escrowee authorizing the release of the LOC from escrow and delivery of same to Landlord. Tenant's failure to strictly and timely comply with the provisions of the immediately proceeding sentence within three (3) business days notice from Landlord shall constitute a material default under this Lease for failure to replenish Security and, further, notwithstanding anything to the contrary set forth in Article *5* of this Lease, there shall be no additional notice of default or cure period afforded Tenant for such default. Tenant's notice to Landlord (and Escrowee) requesting delivery of the Cash Security hereunder shall state in bold, uppercase letters on the first (1st) page thereof, the following:

TENANT SHALL HAVE THE RIGHT TO OFFSET THE AMOUNT SPECIFIED HEREIN AGAINST THE FIXED ANNUAL RENT NEXT BECOMING DUE UNDER THE LEASE IN THE EVENT YOU FAIL TO DELIVER SUCH AMOUNT TO TENANT WITHIN TWENTY (20) DAYS AFTER THIS NOTICE SHALL HAVE BEEN GIVEN TO YOU.

Notwithstanding anything to the contrary set forth above, Tenant shall not have any offset right against Fixed Annual Rent as set forth in this Section 31.02(c), in the event and to the extent that Landlord shall give notice to Tenant within said twenty (20) day period that such successor landlord disputes such release of Cash Security, accompanied by a reasonably detailed description of the basis for such dispute.

(d) Landlord and Tenant agree jointly to defend (by attorneys selected by Escrowee), indemnify and hold Escrowee harmless from and against any claim, judgment, loss,

liability, damages, penalties, fines, cost or expense resulting from any dispute or litigation arising out of or concerning Escrowee's duties or services under this Article 32. This indemnity includes, without limitation, disbursements and reasonable attorneys' fees either paid to retain attorneys or representing the fair value of legal services rendered by Escrowee on its own behalf.

(e) Escrowee shall not be liable, and Landlord and Tenant both hereby release Escrowee from liability, for any error in judgment or for any act undertaken or omitted by it in good faith, or for any mistake of fact of law, except for Escrowee's own gross negligence or willful misconduct.

(f) Landlord and Tenant acknowledge that Escrowee is merely a stakeholder charged with duties hereunder which are purely ministerial in nature. Notwithstanding its position as Escrowee hereunder, Escrowee shall be entitled to continue to represent Landlord or its designee or successor in any and all matters including those pertaining to the Premises, and this Lease and the enforcement thereof.

ARTICLE 32

TAX ESCALATION

32.01 Tenant shall pay to Landlord, as Additional Rent, tax escalation in accordance with this Article. For purposes of this Lease, Landlord and Tenant acknowledge and agree that the rentable square foot area of the Premises shall be deemed to be 130,900 square feet, until the 3rd Floor Commencement Date, 143,800 square feet thereafter. For the purpose of this Article, the following definitions shall apply:

(i) The term "Tenant's Share", for purposes of computing tax escalation, shall mean, until the 3rd Floor Commencement Date eighty six percent (86%), and thereafter, ninety four percent (94%).

(ii) The term the "Building Project" shall mean the aggregate combined parcel of land on a portion of which are the improvements of which the Premises form a part (and there are no other improvements on such land as of the date hereof), with all the improvements thereon, said improvements being a part of the block and lot for tax purposes which are applicable to the aforesaid land.

(iii) The "Base Tax Year" shall mean the New York City Real Estate Tax Year commencing July 1, 2006 and ending June 30, 2007.

(iv) The term "Comparative Year" shall mean the twelve (12) month period following the Base Tax Year, and each subsequent period of twelve (12) months thereafter.

(v) The term "Real Estate Taxes" shall mean the total of all taxes and special or other assessments levied, assessed or imposed at any time by any governmental authority upon or against

the Building Project including, without limitation, any tax or assessment levied, assessed or imposed at any time by any governmental authority in connection with the receipt of income or rents from said Building Project to the extent that same shall be in lieu of all or a portion of any of the aforesaid taxes or assessments, or additions or increases thereof, upon or against said Building Project. If, due to a future change in the method of taxation or in the taxing authority, or for any other reason, a franchise, income, transit, profit or other tax or governmental imposition, however designated, shall be levied against Landlord in substitution in whole or in part for the Real Estate Taxes, or in lieu of additions to or increases of said Real Estate Taxes, then such franchise, income, transit, profit or other tax or governmental imposition shall be deemed to be included within the definition of "Real Estate Taxes" for the purposes hereof. Provided, however, that except to the extent expressly includable hereunder, the following shall be excluded from "Real Estate Taxes" for purposes of this Article: (i) income, estate, gift, succession, inheritance, transfer, mortgage, gains, unincorporated business, commercial rent and franchise taxes imposed upon Landlord, (ii) any assessment payable in connection with the financing or conveyance of all or a portion of the Building, increases in taxes due to improvements dedicated to occupants of the Building other than Tenant, or its permitted assigns and subleasees, (iii) any interest or penalties incurred by Landlord by reason of a late payment of Real Estate Taxes, and (iv) water, sewer, vault and sales taxes, rents and/or charges.

(vi) Where more than one assessment is imposed by the City of New York for any tax year, whether denominated an "actual assessment" or a "transitional assessment" or otherwise, then the phrases herein "assessed value" and "assessments" shall mean whichever of the actual, transitional or other assessment is designated by the City of New York as the taxable assessment for which Real Estate Taxes are payable by Landlord for that tax year.

32.02 In the event that the Real Estate Taxes payable for any Comparative Year shall exceed the amount of the Real Estate Taxes payable during the Base Tax Year, Tenant shall pay to Landlord, *as* Additional Rent for such Comparative Year, an amount equal to Tenant's Share of the excess. Before or after the start of each Comparative Year, Landlord shall furnish to Tenant a statement of the Real Estate Taxes payable during the Comparative Year, along with a copy of the applicable tax bill(s) provided that they are then in the possession of Landlord. If the Real Estate Taxes payable for such Comparative Year exceed the Real Estate Taxes payable during the Base Tax Year, Additional Rent for such Comparative Year, in an amount equal to Tenant's Share of the excess, shall be due from Tenant to Landlord, and such Additional Rent shall be payable by Tenant to Landlord within thirty (30) days after receipt of the aforesaid statement; provided that Tenant pay in the same number of installments as Landlord. The benefit of any discount for any early payment or prepayment of Real Estate Taxes shall accrue solely to the benefit of Landlord, and such discount shall not be subtracted from the Real Estate Taxes payable for any Comparative Year. In addition to the foregoing, Tenant shall pay to Landlord, within ten (10) days of demand, as Additional Rent, a sum equal to Tenant's Share of any business improvement district assessment payable by the Building Project. Upon Landlord's receipt of a written request from Tenant, Landlord shall provide Tenant with copies of the applicable Real Estate Tax bills for a specified Comparison Year provided that they are then in the possession of Landlord.

32.03 Should the Real Estate Taxes payable during the Base Tax Year be reduced by final determination of legal proceedings, settlement or otherwise, then, the Real Estate Taxes payable

during the Base Tax Year shall be correspondingly revised, the Additional Rent theretofore paid or payable hereunder for all Comparative Years shall be recomputed on the basis of such reduction, and Tenant shall pay to Landlord as Additional Rent, within ten (10) days after being billed therefor, any deficiency between the amount of such Additional Rent as theretofore computed and the amount thereof due as the result of such recomputations.

32.04 If, after Tenant shall have made a payment of Additional Rent under Section 32.02, Landlord shall receive a refund of any portion of the Real Estate Taxes payable for any Comparative Year after the Base Tax Year on which such payment of Additional Rent shall have been based, as a result of a reduction of such Real Estate Taxes by final determination of legal proceedings, settlement or otherwise, Landlord shall within ten (10) days after receiving the refund pay to Tenant Tenant's Share of the refund less Tenant's Share of expenses (including reasonable attorneys' and appraisers' fees) incurred by Landlord in connection with any such application or proceeding. In addition to the foregoing, Tenant shall pay to Landlord, as Additional Rent, within ten (10) days after Landlord shall have delivered to Tenant a statement therefor, Tenant's Share of all reasonable expenses incurred by Landlord in reviewing or contesting the validity or amount of any Real Estate Taxes or for the purpose of obtaining reductions in the assessed valuation of the Building Project prior to the billing of Real Estate Taxes, including without limitation, the fees and disbursements of attorneys, third party consultants, experts and others. Landlord agrees that during the Term and any extensions or renewals thereof, Landlord shall review and, as appropriate, contest the validity of Real Estate Taxes for the purpose of obtaining reductions in the assessed valuation of the Building Project, in a manner consistent with that undertaken by other prudent landlords of office buildings in midtown Manhattan of similar age, size and class.

32.05 The statements of the Real Estate Taxes to be furnished by Landlord as provided above shall be certified by Landlord and shall constitute a final determination as between Landlord and Tenant of the Real Estate Taxes for the periods represented thereby, unless Tenant within thirty (30) days after they are furnished shall give a written notice to Landlord that it disputes their accuracy or their appropriateness, which notice shall specify the particular respects in which the statement is inaccurate or inappropriate. If Tenant shall so dispute said statement then, pending the resolution of such dispute, Tenant shall pay the Additional Rent to Landlord in accordance with the statement furnished by Landlord.

32.06 In no event shall the fixed Annual Rent under this Lease be reduced by virtue of this Article.

32.07 If the Commencement Date of the Term of this Lease is not the first day of the first Comparative Year, then the Additional Rent due hereunder for such first Comparative Year shall be a proportionate share of said Additional Rent for the entire Comparative Year, said proportionate share to be based upon the length of time that the lease Term will be in existence during such first Comparative Year. Upon the date of any expiration or termination of this Lease (except termination because of Tenant's default) 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 termination occurs shall immediately become due and payable by Tenant to Landlord, 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. Landlord shall promptly cause statements of said Additional Rent for that Comparative Year to be prepared and furnished to Tenant. Landlord and Tenant shall thereupon make appropriate adjustments of amounts then owing.

32.08 Landlord's and Tenant's obligations to make the adjustments referred to in Section 32.07 above shall survive any expiration or termination of this Lease. Any delay or failure of Landlord in billing any tax escalation hereinabove provided shall not constitute a waiver of or in any way impair the continuing obligation of Tenant to pay such tax escalation hereunder. Landlord shall deliver to Tenant the final statement for the adjustment hereunder no later than twenty-four (24) months after the expiration of the Term of this Lease or twenty-four (24) months following the sooner termination of this Lease and any sums due hereunder and not set forth by Landlord in a statement delivered within said twenty-four (24) month period shall be deemed waived by Landlord.

ARTICLE 33

RENT CONTROL

33.01 In the event the Fixed Annual Rent or Additional Rent or any part thereof provided to be paid by Tenant under the provisions of this Lease during the Term shall become uncollectible or shall be reduced or required to be reduced or refunded by virtue of any Federal, State, County or City rent control or similar law, order or regulation, or by any direction of a public officer or body pursuant to law, or the orders, rules, code or regulations of any organization or entity formed pursuant to law, whether such organization or entity be public or private (a "Legal Requirement"), then Tenant shall enter into such agreements and take such other steps as Landlord may reasonably request to enable Landlord to collect the maximum rents which, are thereafter and from time to time lawful (but not in excess of the rentals then reserved under this Lease). Upon the termination of such Legal Requirement, (a) Rent shall become and thereafter be payable in accordance with the amounts reserved herein for the periods following such termination and (b) Tenant promptly shall pay in full to Landlord, unless expressly prohibited by law, an amount equal to (i) the Rents which would have been paid pursuant to this Lease but for such Legal Requirement less (ii) the Rents paid to Landlord during the period such Legal Requirement was in effect.

ARTICLE 34

SUPPLIES

34.0 I Only Landlord or any one or more persons, firms, or corporations authorized in writing by Landlord shall be permitted to furnish laundry, linens, towels, water coolers, ice and other similar supplies and services to tenants and licensees in the Building such authorization not to be unreasonably withheld. Landlord may fix, in its own reasonable discretion, from time to time, the hours during which and the regulations under which such supplies and services are to be furnished.

34.02 Only Landlord or any one or more persons, firms or corporations authorized in writing by Landlord shall be permitted to sell, or furnish any food or beverages whatsoever for consumption within the Premises or elsewhere in the Building such authorization not to be unreasonably withheld. Landlord further expressly reserves the right to exclude from the Building any person, firm or corporation attempting to deliver or purvey any such food or beverages, but not so authorized by Landlord. It is understood, however, that Tenant or its regular office employees may personally bring food or beverages into the Building for consumption within the Premises by the said employees, but not for resale or for consumption by any other tenant.

ARTICLE 35

AIR CONDITIONING

35.01 Tenant shall be permitted to exclusively use the equipment presently supplying air-conditioning service to Building (the "Existing HVAC Equipment") subject to and in accordance with the provisions of this Article. Tenant acknowledges and agrees that air-conditioning service to the Building shall be supplied through equipment operated, maintained, repaired and replaced (as necessary) by Tenant and that Landlord has no obligation to operate, maintain, repair or replace the said equipment or to supply air-conditioning service to the Building, except for the equipment presently supplying air-conditioning service to the 3rd Floor Premises for the period prior to the 3rd Floor Commencement Date and except for the Lobby HVAC. The Existing HVAC Equipment and all other air conditioning systems, equipment and facilities hereafter located in or servicing the lobby of the Building or the Premises(the "Supplemental Systems") including, without limitation, the ducts, dampers, registers, grilles and appurtenances utilized in connection with both the Existing HVAC Equipment and the Supplemental Systems (collectively hereinafter referred to as the "HVAC System"), shall be operated, maintained, repaired and replaced (as necessary) by Tenant in compliance with all present and future laws and regulations relating thereto at Tenant's sole cost and expense. Tenant shall pay for all electricity consumed in the operation of the HVAC System, and Tenant's proportionate share of the electric current (and/or water, gas and steam) for the production of chilled and/or condenser water and its supply to the Premises, if applicable, which shall become the obligation of Tenant subject to the terms of Article 41 of this Lease. Tenant shall pay for all parts and supplies necessary for the proper operation of the HVAC System (and any restoration or replacement by Tenant of all or any part thereof shall be in quality and class at least equal to the original work or installations); provided, however, that Tenant shall not alter, modify, remove or replace the HVAC System, or any part thereof, without Landlord's prior written consent.

35.02 Without limiting the generality of the foregoing, Tenant shall, at its own cost and expense, (a) cause to be performed all maintenance of the HVAC System, including all repairs and replacements thereto, and (b) commencing as of the date upon which Tenant shall first occupy the Premises for the conduct of its business, and thereafter throughout the Term of the Lease, maintain in force and provide a copy of same to Landlord a reasonable and customary air conditioning service repair and full service maintenance contract covering the HVAC System with a reputable air conditioning contractor or servicing organization reasonably approved by Landlord. The HVAC System is and shall at all times remain the property of Landlord, and at the expiration or

sooner termination of the Lease, Tenant shall surrender to Landlord the HVAC System in good working order and condition, subject to normal wear and tear and shall deliver to Landlord a copy of the service log. In the event that Tenant fails to obtain the contract required herein or perform any of the maintenance or repairs required hereunder, Landlord shall have the right, but not the obligation, to procure such contract and/or perform any such work and charge the Tenant as Additional Rent hereunder the cost of same plus an administrative fee equal to fifteen (15%) percent of such cost which shall be paid for by Tenant on demand.

35.03 In the event that Tenant shall require air conditioning service other than during normal business hours (i.e., Monday through Friday from 8:00 a.m. to 6:00 p.m.), Landlord shall furnish after hours air conditioning service through the Existing HVAC Equipment at no additional charge to Tenant. provided that written notice is given to Landlord by Tenant's not less than six (6) hours prior to the time for which such service is requested or prior to 1:00 p.m. on business days preceding weekends and the aforementioned holidays.

ARTICLE 36

SHORING

36.01 Tenant shall permit any person authorized to make an excavation on land adjacent to the Building containing the Premises to do any work within the Premises necessary to preserve the wall of the Building from injury or damage, and Tenant shall have no claim against Landlord for damages or abatement of rent by reason thereof. Landlord shall endeavor to use commercially reasonable efforts to minimize interference with Tenant's permitted use of the Premises during the course of said excavations and shoring.

ARTICLE 37

EFFECT OF CONVEYANCE, ETC.

37.01 If the Building containing the Premises shall be sold, transferred or leased, or the lease thereof transferred or sold, Landlord shall be relieved of all future obligations and liabilities hereunder and the purchaser, transferee or tenant of the Building shall be deemed to have assumed and agreed to perform all such obligations and liabilities of Landlord hereunder. In the event of such sale, transfer or lease, Landlord shall also be relieved of all existing obligations and liabilities hereunder, provided that the purchaser, transferee or tenant of the Building assumes in writing such obligations and liabilities.

ARTICLE 38

RIGHTS OF SUCCESSORS AND ASSIGNS

38.01 This Lease shall bind and inure to the benefit of the heirs, executors, administrators, successors, and, except as otherwise provided herein, the assigns of the parties hereto. If any provision of any Article of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of that Article, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of said Article and of this Lease shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE 39

CAPTIONS

39.01 The captions herein are inserted only for convenience, and are in no way to be construed as a part of this Lease or as a limitation of the scope of any provision of this Lease.

ARTICLE 40

BROKERS

40.01 Tenant covenants, represents and warrants that Tenant has had no dealings or negotiations with any broker or agent in connection with the consummation of this Lease other than Sitt Leasing LLC and Colliers ABR (collectively, the "Brokers") and Tenant covenants and agrees to defend, hold harmless and indemnify Landlord from and against any and all cost, expense (including reasonable attorneys' fees) or liability for any compensation, commissions or charges claimed by any broker or agent with respect to this Lease or the negotiation thereof.

40.02 Landlord represents and warrants to Tenant that it did not consult or negotiate with any broker, finder, or consultant with regard to the Premises other than the Brokers, and that no other broker, finder or consultant participated with Landlord in procuring this Lease. Landlord hereby indemnifies and agrees to defend and hold Tenant, its agents, servants and employees harmless from any suit, action, proceeding, controversy, claim or demand whatsoever at law or in equity that may be instituted against Tenant by anyone with whom Landlord has dealt for recovery of compensation or damages for procuring this Lease. Landlord shall pay commissions due the Brokers in connection with this Lease, if any, pursuant to the terms of separate agreements.

ARTICLE 41

ELECTRICITY

41.0 I Landlord and Tenant agree that Landlord shall furnish electricity to Tenant on a redistributed basis. For purposes of this Article 41, the Premises shall be deemed to be, until the 3rd Floor Commencement Date, eighty six (86%), and thereafter, ninety four percent (94%) of the Building and Tenant agrees that Tenant's share of the Building electric current shall be, until the 3rd Floor Commencement Date, eighty six (86%), and thereafter, ninety four percent (94%) ("Tenant's Electric Percentage") of the entire Building's electric current (excluding the retail portions of the Building).

41.02 Tenant agrees that Tenant shall pay, as Additional Rent in accordance with the provisions hereof, Tenant's Electric Percentage of any and all sums billed to Landlord by any and all public utility and/or other service providers of electricity and electrical service to the Building(excluding the retail portions of the Building). Electricity and electric service, as used herein, shall mean any element affecting the generation, transmission, and/or distribution or redistribution of electricity, including but not limited to services which facilitate the distribution of service.

41.03 Bills shall be rendered at such times as Landlord may elect, and the amount, as computed from meters, shall be deemed to be, and shall be paid as Additional Rent. If any tax is imposed upon Landlord's receipt from the resale of electrical energy to Tenant by any Federal, State or Municipal authority, Tenant covenants and agrees that, where permitted by law, Tenant's share of such taxes based upon its usage and demand shall be passed on to, and shall be included in the bill of, and shall be paid by Tenant to Landlord, without duplication. Where more than one meter measures the service of Tenant in the Building, the KWH and KW recorded by each meter shall be computed and billed separately in accordance with rates set forth herein.

41.04 Landlord shall not be liable to Tenant for any loss or damage or expense which Tenant may sustain or incur if either the quantity or character of electric service is changed or is no longer available or suitable for Tenant's requirements. Tenant covenants and agrees that at all times its use of electric current shall never exceed the capacity of existing feeders to the building or the risers or wiring installation. If Tenant shall require any additional riser or risers, feeders or other equipment or service proper or necessary to supply Tenant's electrical requirements, upon written request of Tenant, the same will be installed by Landlord, at the sole cost and expense of Tenant if, in Landlord's reasonable judgment, the same are necessary, and to the extent that Tenant or anyone claiming through Tenant does not occupy the entire rentable square footage of the Building, will not result in a diminution in the amount of electrical power available to other tenants or occupants in the building and provided that same is then available and will not cause damage or injury to the building or Premises or cause or create a dangerous or hazardous condition or entail excessive or unreasonable alterations, repairs or expense or interfere with or unreasonably disturb other tenants or occupants in the building. In addition to any such installation, Landlord will also, at the sole cost and expense of Tenant, install all other equipment proper and necessary in connection therewith, subject to the aforesaid terms and conditions.

41.05 In the event that all or part of the meters, or system which measures Tenant's consumption of electricity (the "Submetering System"),shall malfunction, (a) Landlord, through an independent, electrical consultant selected by Landlord, shall reasonably estimate the readings that would have been yielded by said Submetering System as if the malfunction had not occurred, on the basis of Tenant's prior usage and demand and the lightning and equipment installed within the Premises and (b) Tenant shall utilize such estimated readings and the bill rendered based thereon shall be binding and conclusive on Tenant unless, within thirty (30) days after receipt of such a bill, Tenant challenges, in writing to Landlord, the accuracy or method of computation thereof If within thirty (30) days of Landlord's receipt of such a challenge, the parties are unable to agree on the amount of the contested bill, the controlling determination of same shall be made by an independent electrical consultant agreed upon by the parties or, upon their inability to agree, as selected by the American Arbitration Association. The determination of such electrical consultant shall be final and binding on both Landlord and Tenant and the expenses of such consultant shall be divided equally between the parties. Pending such controlling determination, Tenant shall timely pay additional rent to Landlord in accordance with the contested bill. Tenant shall be entitled to a prompt refund from Landlord, or shall make prompt additional payment to Landlord, in the event that the electrical consultant determines that the amount of a contested bill should have been other than as reflected thereon.

41.06 If all or part of the Additional Rent payable in accordance with this Article becomes uncollectible or reduced or refunded by Virtue of any law, order or regulation, the parties agree that, at Landlord's option, in lieu thereof, and in consideration of Tenant's use of the building's electrical distribution system and receipt of redistributed electricity and payment by Landlord of consultants' fees and other redistribution costs, in lieu of the charges set forth in Section 41.02 above, the fixed annual rental rate(s) to be paid under this Lease shall be increased by an "alternative charge" which shall be a sum equal to $3.00 per year per rentable square foot of the Premises, changed in the same percentage as any increase in the cost to Landlord for electricity for the entire Building subsequent to the date hereof, because of electric rate, service classification or market price changes, such percentage change to be computed as in Section 41.04-provided.

41.07 Landlord reserves the right to terminate the furnishing of redistributed electricity, upon thirty (30) days' written notice to Tenant, in which event Tenant shall make application directly to the public utility for Tenant's entire separate supply of electric current and Landlord shall permit its risers, feeders, meters, wires and conduits, to the extent available and safely capable, to be used for such purpose. Any meters, risers or other equipment or connections necessary to enable Tenant to obtain electric current directly from such utility shall be installed at Tenant's sole cost and expense. Only rigid conduit or electricity metal tubing (EMT) will be allowed. Landlord, upon the expiration of the aforesaid thirty (30) days' written notice to Tenant, may discontinue furnishing the redistributed electric current and Tenant shall purchase electric service directly from the public utility for Tenant's separate supply of electric current (and the provisions of Sections 41.01, 41.02, 41.03, 41.05 and 41.06 shall not apply), but this Lease shall otherwise remain in full force and effect. Notwithstanding the foregoing, provided that Tenant promptly applies for such direct service and diligently pursues such application to completion, Landlord shall not so discontinue such redistributed service until Tenant obtains electric service

directly from the public utility, unless required by law.

41.08 Intentionally deleted.

41.09 Landlord shall not be liable to Tenant for any loss or damage or expense which Tenant may sustain or incur if either the quantity or character of electric service is changed or is no longer available or suitable for Tenant's requirements. Any riser or risers to supply Tenant's electrical requirements, upon written request of Tenant, will be installed by Landlord, at the sole cost and expense of Tenant, if, in Landlord's sole judgment, the same are necessary and will not cause permanent damage or injury to the Building or the Premises or cause or create a dangerous or hazardous condition or entail excessive or unreasonable alterations, repairs or expense or interfere with or disturb other tenants or occupants. In addition to the installation of such riser or risers, Landlord will also at the sole cost and expense of Tenant, install all other equipment proper and necessary in connection therewith subject to the aforesaid terms and conditions.

ARTICLE 42

LEASE SUBMISSION

42.01 Landlord and Tenant agree that this Lease is submitted to Tenant on the understanding that it shall not be considered an offer and shall not bind Landlord in any way unless and until (i) Tenant has duly executed and delivered duplicate originals thereof to Landlord and (ii) Landlord has executed and delivered one of said originals to Tenant.

ARTICLE 43

INSURANCE

43.0I. Tenant shall not violate, or permit the violation of, any condition imposed by the standard fire insurance policy then issued for office buildings in the Borough of Manhattan., City of New York and shall not do, or permit anything to be done, or keep or permit anything to be kept in the Premises which would subject Landlord to any liability or responsibility for personal injury or death or property damage, or which would increase the fire or other casualty insurance rate on the Building or the property therein over the rate which would otherwise then be in effect (unless Tenant pays the resulting premium as hereinafter provided for) or which would result in insurance companies of good standing refusing to insure the building or any of such property in amounts reasonably satisfactory to Landlord.

43.02 Tenant covenants to provide on or before the earlier to occur of (i) the Commencement Date, and (ii) ten (10) days from the date of this Lease, and to keep in force during the term hereof the following insurance coverage which coverage shall be effective on the Commencement Date:

(a) A comprehensive policy of liability insurance naming Landlord and its designees as additional insureds protecting Landlord, its designees and Tenant against any liability whatsoever occasioned by accident on or about the Premises or any appurtenances thereto. Such policy shall have limits of liability of not less than Ten Million ($10,000,000.00) Dollars combined. single limit coverage on a per occurrence basis, including property damage. Such insurance may be carried under a blanket policy covering the Premises and other locations of Tenant, if any, provided such a policy contains an endorsement (i) naming Landlord and its designees as additional insureds, (ii) specifically referencing the Premises; and (iii) guaranteeing a minimum limit available for the Premises equal to the limits of liability required under this Lease;

(b) Fire and extended coverage in an amount adequate to cover the cost of replacement of all personal property, fixtures, furnishings, equipment, improvements and installations located in the Premises.

43.03 All such policies shall be issued by companies of recognized responsibility licensed to do business in New York State and rated by Best's Insurance Reports or any successor publication of comparable standing and carrying a rating of A VIII or better or the then equivalent of such rating, and all such policies shall contain a provision whereby the same cannot be canceled or materially modified unless Landlord and any additional insured are given at least thirty (30) days prior written notice of such cancellation or modification.

43.04 Prior to the time such insurance is first required to be carried by Tenant and thereafter, at least fifteen (15) days prior to the expiration of any such policies, Tenant shall deliver to Landlord certificates evidencing such insurance, together with evidence of payment for the policy. Tenant's failure to provide and keep in force the aforementioned insurance shall be regarded as a material default hereunder, entitling Landlord to exercise any or all of the remedies as provided in this Lease in the event of Tenant's default. In addition, in the event Tenant fails to provide and keep in force the insurance required by this Lease, at the times and for the durations specified in this Lease, Landlord shall have the right, but not the obligation, at any time and from time to time, and without notice, to procure such insurance and/or pay the premiums for such insurance in which event Tenant shall repay Landlord within five (5) days after demand by Landlord, as Additional Rent, all sums so paid by Landlord and any costs or expenses incurred by Landlord in connection therewith without prejudice to any other rights and remedies of Landlord under this Lease.

43.05 Landlord and Tenant shall each endeavor to secure an appropriate clause in, or an endorsement upon, each fire or extended coverage policy obtained by it and covering the Building, the Premises or the personal property, fixtures and equipment located therein or thereon, pursuant to which the respective insurance companies waive subrogation or permit the insured, prior to any loss, to agree with a third party to waive any claim it might have against said third party. The waiver of subrogation or permission for waiver of any claim hereinbefore referred to shall extend to the agents of each party and its employees and, in the case of Tenant, shall also extend to all other persons and entities occupying or using the Premises in accordance with the terms of this Lease. If and to the extent that such waiver or permission can be obtained only upon payment of an additional charge then, except as provided in the following two paragraphs, the party benefiting from the waiver or permission shall pay such charge upon demand, or shall be deemed to have agreed that the party

obtaining the insurance coverage in question shall be free of any further obligations under the provisions hereof relating to such waiver or permission.

43.06 In the event that Landlord shall be unable at any time to obtain one of the provisions referred to above in. any of its insurance policies, at Tenant's option, Landlord shall cause Tenant to be named in such policy or policies as one of the insureds, but if any additional premium shall be imposed for the inclusion of Tenant as such an insured, Tenant shall pay such additional premium upon demand. In the event that Tenant shall have been named as one of the insureds in any of Landlord's policies in accordance with the foregoing, Tenant shall endorse promptly to the order of Landlord, without recourse, any check, draft or order for the payment of money representing the proceeds of any such policy or any other payment growing out of or connected with said policy and Tenant hereby irrevocably waives any and all rights in and to such proceeds and payments.

43.07 In the event that Tenant shall be unable at any time to obtain one of the provisions referred to above in any of its insurance policies, Tenant shall cause Landlord to be named in such policy or policies as one of the insureds, but if any additional premium shall be imposed for the inclusion of Landlord as such an insured, Landlord shall pay such additional premium upon demand or Tenant shall be excused from its obligations under this paragraph with respect to the insurance policy or policies for which such additional premiums would be imposed.

43.08 Subject to the foregoing provisions of this Article, and insofar as may be permitted by the terms of the insurance policies carried by it, each party hereby releases the other with respect to any claim (including a claim for negligence) which it might otherwise have against the other party for loss, damages or destruction with respect to its property by fire or other casualty (including rental value or business interruption, as the case may be) occurring during the Term of this Lease.

43.09 If, by reason of a failure of Tenant to comply with the provisions of this Lease, the rate of fire insurance with extended coverage on the building or equipment or other property of Landlord shall be higher than it otherwise would be, Tenant shall reimburse Landlord, on demand, for that part of the premiums for fire insurance and extended coverage paid by Landlord because of such failure on the part of Tenant.

43.10. Landlord may, from time to time but not more than three (3) times during the original Term of this Lease, require that the amount of the insurance to be provided and maintained by Tenant hereunder be increased so that the amount thereof adequately protects Landlord's interest, but in no event in excess of the amount that would be required of other tenants in other similar office buildings in the borough of Manhattan.

43.11 A schedule or make up of rates for the building or the Premises, as the case may be, issued by the New York Fire Insurance Rating Organization or other similar body making rates for fire insurance and extended coverage for the premises concerned, shall be conclusive evidence of the facts therein stated and of the several items and charges in the fire insurance rate with extended coverage then applicable to such premises.

43.12 Each policy evidencing the insurance to be carried by Tenant under this Lease shall contain a clause that such policy and the coverage evidenced thereby shall be primary with respect to any policies carried by Landlord, and that any coverage carried by Landlord shall be excess insurance. Landlord agrees that at all times during the Term it shall maintain in force and effect for the Building casualty and liability insurance coverage with underwriters, of a scope, and having policy limits, which are comparable to those maintained by prudent landlords of office buildings in midtown Manhattan of similar age, size, character and location.

ARTICLE 44

SIGNAGE

44.01 Tenant shall be permitted to affix a sign or plaque on or adjacent to the entrance door to the Premises, subject to the prior written approval of Landlord which shall not be unreasonably withheld subject to the other provisions of this Article, with respect to location, design, size, materials, quality, coloring, lettering and shape thereof, and subject, also, to compliance by Tenant, at its expense, with all applicable legal requirements or regulations. All such signage shall be consistent and compatible with the design, aesthetics, signage and graphics as other signage at the Building and shall not diminish or impair the character or reputation of the Building or Landlord. Landlord may remove any sign installed in violation of this provision, and Tenant shall pay the cost of such removal and any restoration costs.

44.02 Notwithstanding anything to the contrary contained in this Article, the tenant named on the first page of this Lease (the "Named Tenant") may affix signs at the same locations, in the same manner and of the same size as those which are currently maintained by Tenant pursuant to its prior tenancy at the Building, to which Landlord hereby consents subject to their compliance in each instance with the applicable provisions of Section 44.01, above, and this Lease and provided that at or before the Expiration Date or sooner termination of the Term, Tenant removes all such signs and repairs any resulting damage to the Premises or the Building immediately thereafter at Tenant's sole cost and expense in a good and workmanlike manner using materials that are of a quality equal or superior to those which were damaged and otherwise in compliance with the applicable provisions of this Lease:

(i) at the left of the front façade of the Building; and
(ii) on the lobby wall between the two {2) existing passenger elevators; and
(iii) above the existing brass entry doors of the lobby from the street; and
(iv) on the existing brass entry doors of the lobby from the street; and
(v) on the roof of the Building, above the penthouse portion of the Premises.

44.03 Notwithstanding anything to the contrary contained herein, for so long as the Tenant or anyone claiming through the Tenant occupies at least seventy five (75%) percent of the entire rentable portion of the Building, from the date hereof, Landlord shall (i) restrict all future retail tenants of the Building (and to the extent that the retail leases of existing retail tenants of the Building prohibit the same) from installing external signage, blade signs and/or storefront signs

which are not in keeping with the first class standard and character of the Building, or are otherwise detrimental to the reputation and image of the Building, (ii) prohibit said retail tenants from installing any flashing and/or neon signage on their respective storefronts unless such signage is required by law, rule, regulation or code of any governmental authority having jurisdiction, and (iii) restrict said retail tenants from installing any signage which blocks Tenant's second (2^{nd}) floor windows unless required by law, rule, regulation or code of any governmental authority having jurisdiction.

ARTICLE 45

INTENTIONALLY DELETED

ARTICLE 46

FUTURE CONDOMINIDM CONVERSION

46.01 Tenant acknowledges that the Building and the land of which the Premises form a part may be subjected to the condominium form of ownership prior to the end of the Term of this Lease. Tenant agrees that if, at any time during the Term, the Building and the land shall be subjected to the condominium form of ownership, then, this Lease and all rights of Tenant hereunder are and shall be subject and subordinate in all respects to any condominium declaration and any other documents (collectively, the "Declaration") which shall be recorded in order to convert the Building and the land of which the Premises form a part to a condominium form of ownership in accordance with the provisions of Article 9-B of the Real Property Law of the State of New York or any successor thereto, provided that Tenant's obligations under this Lease shall not be materially increased (and there shall be no increase in Tenant's monetary obligations) and Tenant's rights are not diminished as a result thereof. If any such Declaration is to be recorded, Tenant, upon request of Landlord, shall enter into an amendment of this Lease in such respects as shall be necessary to conform to such condominiumization, including, without limitation, appropriate adjustments to Real Estate Taxes payable during the Base Tax Year, Base Year, and Tenant's Share, as such terms are defined in Article 32 hereof, provided that Tenant's obligations under this Lease shall not be materially increased (and there shall be no increase in Tenant's monetary obligations) and Tenant's rights are not diminished as a result thereof.

ARTICLE 47

MISCELLANEOUS

47.0 I This Lease represents the entire understanding between the parties with regard to the matters addressed herein and may only be modified by written agreement executed by all parties hereto. All prior understandings or representations between the parties hereto, oral or written, with regard to the matters addressed herein are hereby merged herein. Tenant acknowledges that

neither Landlord nor any representative or agent of Landlord has made any representation or warranty, express or implied, as to the physical condition, state of repair, layout, footage or use of the Premises or any matter or thing affecting or relating to Premises except as specifically set forth in this Lease. Tenant has not been induced by and has not relied upon any statement, representation or agreement, whether express or implied, not specifically set forth in this Lease. Landlord shall not be liable or bound in any Manner by any oral or written statement, broker's "set-up", representation, agreement or information pertaining to the Premises, the Building or this Agreement furnished by any real estate broker, agent, servant, employee or other person, unless specifically set forth herein, and no rights are or shall be acquired by Tenant by implication or otherwise unless expressly set forth herein. This Lease shall be construed without regard to any presumption or other rule requiring construction against the party causing this agreement to be drafted.

ARTICLE 48

INTENTIONALLY OMITTED

ARTICLE 49

INTENTIONALLY OMITTED

ARTICLE 50

OPERATING EXPENSE ESCALATION

50.01 Tenant shall pay to Landlord, as Additional Rent, operating expense escalations in accordance with this Article.

50.02 For the purposes of this Article, the following definitions shall apply:

(i) The term "Base Year" as herein after set forth for the determination of operating expense escalation, shall mean the calendar year 2009 for the Existing Premises and the calendar year on which the 3rd Floor Commencement Date occurs for the 3rd Floor Premises, and the term "Base Insurance Expenses" year shall mean the calendar year 2009 for the Existing Premises and for the 3rd Floor Premises, the calendar year on which the 3rd Floor Commencement Date occurs.

(ii) The term the "Percentage", for purposes of computing operating expense escalations hereunder, shall mean eighty six (86%) percent until the 3rd Floor Commencement Date, and thereafter, ninety four (94%) percent. The Percentage has been computed on -the basis of a fraction, the numerator of which is the rentable square foot area of the presently demised premises and the denominator of which is the total rentable square foot area of the office space in the Building.

(iii) The term the "Building Project" for purposes of this Article shall mean the aggregate combined parcel of land on a portion of which is the Building of which the Premises form a part, with all the improvements and appurtenances thereon, said improvements being a part of the block and lot for tax purposes which are applicable to the aforesaid land.

(iv) The term "Comparative Year" for purposes of this Article shall mean the twelve (12) months following the Base Year, and each subsequent period of twelve (12) months, and the term "Comparative Insurance Year" for purposes of this Article shall mean the twelve (12) month period commencing as of January 1, 2010, and each subsequent period of twelve (1 2) months.

(v) The term "Building Insurance Expenses" shall mean the total of all the customary costs and expenses incurred or borne by Landlord with respect to procuring and maintaining in respect of the Building Project: comprehensive all risk insurance on the Building Project and the personal property of Landlord contained therein or thereon; commercial general liability insurance against claims for personal injury, bodily injury, death or property damage, occurring upon, in or about the Building Project; extended coverage, boiler and machinery, sprinkler, apparatus, rental, business income and plate glass insurance; owner's contingent or protective liability insurance; workers' compensation and employer's liability insurance; insurance against acts of terrorism (including, without limitation, bio-terrorism), and any insurance required by a mortgagee;

(vi) The term "Expenses" shall mean the total of all the costs and expenses incurred or borne by Landlord 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; Building air-conditioning; mechanical ventilation; heating; cleaning, by contract or otherwise; window washing (interior and exterior); elevators, escalators; parking areas and facilities; porters and matron service; protection and security; Building electric current*; lobby decoration; repairs, replacements and improvements which are appropriate for the continued operation of the Building as a first-class building; maintenance; painting of non-tenant areas; 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; workmen's compensation insurance, payroll, social security, unemployment and other similar taxes with respect to such employees; and association fees or dues.

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

*i.e. Building electric current shall be deemed to mean all electricity purchased for the Building except that which is redistributed to Tenant and/or is paid for by Tenant pursuant to Article41 hereof; the parties acknowledge and agree that six percent (6%) of the Building's payment to the public utility for the purchase of electricity shall be deemed to be payment for Building electric current.

(a) Taxes and transfer, gains, franchise, inheritance, estate, occupancy, succession, gift, corporation, unincorporated business, gross receipts, profit and income taxes payable by Landlord,

(b) mortgage interest and amortization,

(c) all leasing costs, including, without limitation, leasing and brokerage commissions and similar fees,

(d) the cost of electricity furnished to the Premises or any other space in the Building leased, or available for lease, to tenants or for which Tenant pays separately (including Tenant's payment of Tenant's Electric Percentage (as defined in Article 41),

(e) the cost of tenant installations and decorations incurred in connection with preparing space for a tenant's occupancy, and any other contribution by Landlord to the cost of a tenant's improvements,

(f) salaries, fringe benefits and other compensation of Landlord's personnel above the grade of building manager; or other off-site personnel,

(g) ground rent or any other payments paid under Superior Leases (other than in the nature of rent consisting of Taxes or Operating Expenses and other payments which, independent of a Superior Lease, would constitute an Operating Expense hereunder),

(h) depreciation and amortization, except as provided herein, (i) financing and refinancing costs and bad debt loss,

(g) except as otherwise expressly provided herein, the cost of any improvement, repair, alteration, addition, change, replacement or other item which under generally accepted accounting principles (consistently applied) is properly classified as a capital expenditure,

(k) lease takeover or take back costs incurred by Landlord in connection with leases in the Building,

(l) legal fees, expenses and disbursements (including, without limitation, those incurred in connection with leasing, sales, financing or refinancing or disputes with current or prospective tenants), except such fees as are reasonably incurred in connection with the operation of the Property or are incurred to abate a nuisance which benefits substantially all the tenants of the Building, provided that, in each case, (x) such action would reasonably be taken by a prudent owner of a comparable first-class office building, (y) the same do not result directly or indirectly from any negligent act or omission or willful misconduct on the part of Landlord,

(m) amounts otherwise includable in Operating Expenses but reimbursed to Landlord directly by Tenant or other tenants (other than through provisions similar to this Article 50),

(n) to the extent any costs includable in Operating Expenses are incurred with respect to both the Building and other properties (including, without limitation, salaries, fringe benefits and other compensation of Landlord's personnel who provide services to both the Building and other properties), there shall be excluded from Operating Expenses a fair and reasonable percentage thereof which is properly allocable to such other properties,

(o) the cost of providing any service provided by first-class managing agents of comparable office buildings in Manhattan which is customarily included in the management fees,

(p) the cost of acquiring or replacing any separate electrical submeter Landlord may provide to any of the tenants in the Building,

(q) any interest, fine, penalty or other late charges payable by Landlord and incurred as a result of late payments, except to the extent the same was incurred with respect to a payment, part or all of which, was the responsibility of Tenant hereunder and with respect to which Tenant did not make a payment in a timely fashion or did not make same at all,

(r) any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord,

(s) costs of acquiring, leasing, insuring, restoring, ·removing or replacing (a) sculptures (other than planters and benches), (b) paintings and (c) other objects of art located within or outside the Building, except for the cost of routine maintenance of such objects in the public areas in the Building,

(t) costs incurred to remedy violations of legal requirements that arise by reason of Landlord's negligent or willful failure to construct, maintain or operate the Building or any part thereof in compliance with such legal requirements (excluding the costs of permits and approvals required to comply with legal requirements in the ordinary course of the operation of the Property),

(u) expenses allocable directly and solely to the retail space of the Building (including, without limitation, plate glass insurance for retail space),

(v) the cost of repairs or replacements or restorations by reason of fire or other casualty or condemnation,

(w) the cost paid or incurred in connection with the removal, replacement, enclosure, encapsulation or other treatment of any Hazardous Materials in the Building, other than the cost of customary office cleaning materials and supplies and materials and supplies used in connection with operation of the Building Systems which, in each case, used and stored in

compliance with all applicable Requirements and the removal of Hazardous Materials installed by Tenant,

(x) costs incurred by Landlord for the performance of any sundry services to a particular tenants,

(y) costs (including, without limitation, any taxes or assessments) of any revenue generating signs or other tenant's or occupant's signs,

(z) expenditures for repairing and/or replacing any defect in any work performed by Landlord pursuant to the provisions of this Lease,

(aa) insurance premiums, but only if and to the extent that Landlord is specifically entitled to be reimbursed therefor by Tenant pursuant to this Lease (other than pursuant to this Article) or by any other tenant or other occupant of the Building pursuant to its lease (other than pursuant to an operating expenses escalation clause contained therein),

(bb) the cost of any item for which Landlord is reimbursed by insurance or otherwise compensated including reimbursement by any tenant, or for which Landlord would have been reimbursed had Landlord carried such insurance (provided that such insurance was required by the terms of this Lease), less any deductible commensurate with such insurance policy,

(cc) payments of any amounts to any person seeking recovery for negligence or other torts committed by Landlord,

(dd) costs to perform work or to provide services for any tenant of the Building, but only if and to the extent that the same is in excess of that which Landlord furnishes generally (with no additional expense) to the tenants (including Tenant) of the Building,

(ee) the costs of any expansions to the rentable area of the Building after the date of this Lease and any costs arising therefrom and the costs (including the increased Operating Expenses related thereto) of any additions to the Building, such as the addition of floors thereto, excluding or other structures adjoining the Building, or connecting or disconnecting the Building to other structures adjoining the Building,

(ff) any costs incurred in connection with the transfer or sale of any interest in the Building, Land or any Underlying Lease, including any transfer, deed, mortgage recording or gains taxes payable by Landlord,

(gg) legal fees incurred in the enforcement of any leases in the Building or in defending any suits brought by tenants in the Building and other legal fees (other than legal fees incurred in connection with the maintenance or operation of the Building or Land),

(hh) the cost of any work or services performed or other expenses incurred in connection with installing, operating and maintaining any special service or facility in other than a public

or common area. of the Building, such as an observatory, broadcasting facility or any luncheon, athletic or recreational club; provided, however, that this exclusion shall not apply to the cost of heat, cleaning or other services furnished to an area of space leased to a tenant (other than Landlord or an affiliate of Landlord) and used by such tenant for such purposes unless Tenant cleans or pays separately for such service,

(ii) costs incurred by Landlord in connection with Landlord's breach of any of Landlord's covenants, agreements or indemnities expressly made in this Lease,

(jj) any amount incurred to a company or other entity affiliated with Landlord to the extent that the same exceeds the amount which would have been incurred on a fair market basis in the absence of such affiliation; and

(kk) Building Insurance Expenses.

50.03 If Landlord shall purchase any item of capital equipment or make any capital expenditure designed to result in savings or reductions in Expenses, then the costs for same shall be included in Expenses. The costs of capital equipment or capital expenditures are so to be included in Expenses for the Comparative Year in which the costs are incurred and subsequent Comparative Years, on a straight line basis, to the extent that such items are amortized over such period of time as reasonably can be estimated as the time in which such savings or reductions in Expenses are expected to equal Landlord's costs for such capital equipment or capital expenditure, with an interest factor equal to the prime rate of JP Morgan Chase, New York, (or the successor thereto) at the time of Landlord's having incurred said costs. If Landlord shall lease any such item of capital equipment designed to result in savings or reductions in Expenses, then the rentals and other costs paid pursuant to such leasing shall be included in Expenses for the comparative year in which they were incurred.

50.04 If during all or part of the Base Year or any Comparative Year, Landlord 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 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 Landlord if it had at its own expense furnished such item of work or services to such portion of the Building Project provided Landlord furnishes such item or service for Tenant.

50.05 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"). If the Building Insurance Expenses for any Comparative Insurance Year shall be greater than the Base Insurance Expenses, Tenant shall pay to Landlord, as Additional Rent for such Comparative Insurance Year, in the manner hereinafter provided, an amount equal to the Percentage of

the excess of the Building Insurance Expenses for such Comparative Insurance Year over the Base Insurance Expenses (such amount being hereinafter called the "Insurance Expense Payment").

50.06 Following the expiration of each Comparative Year and Comparative Insurance Year, and after receipt of necessary information and computations from Landlord's certified public accountant, Landlord shall submit to Tenant no later than May 1 following each Comparative Year a certified statement or statements, as hereinafter described, setting forth the Expenses for the preceding Comparative Year, and the Expense Payment, if any, due to Landlord from Tenant for such Comparative Year, and a statement setting forth the Base Insurance Expenses and the Insurance Expense Payment, if any, due to Landlord from Tenant for such Insurance Comparative Year. The rendition of any such statement to Tenant shall constitute prima facie proof of the accuracy thereof and, if such statement shows an Expense Payment and/or Insurance Expense Payment due from Tenant to Landlord, or a refund from Landlord to Tenant, as the case may be, with respect to the preceding Comparative Year and/or Comparative Insurance Year, then (i) Tenant shall make payment of any unpaid portion thereof within thirty (30) days after receipt of such statement, or in the case of a refund to Tenant, Landlord shall credit any overpayment by Tenant towards the next monthly installment of Rent accruing under the Lease (unless the Lease term has expired and Tenant has vacated the Premises in compliance with the terms and conditions of this Lease, then Landlord shall make any refund payment within the said thirty (30) day period); and (ii) Tenant shall also pay Landlord, as Additional Rent within thirty (30) days after receipt of such statement, an amount equal to the product obtained by multiplying the Expense Payment and/or Insurance Expense Payment for the Comparative Year or the Comparative Insurance Year, as the case may be, 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 or Comparative Insurance Year, as the case may be, 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 Landlord, 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 an amount equal to l/12th of the total Expense Payment for the preceding Comparative Year and/or l /12th of the total Insurance Expense Payment for the preceding Comparative Insurance Year. The aforesaid monthly payments based on the total Expense Payment for the preceding Comparative Year or the total Insurance Expense Payment for the preceding Comparative Insurance Year, as the case may be, shall from time to time be adjusted to reflect, if Landlord can reasonably so estimate not to exceed one hundred and five percent (105%) of such prior year's Expense payment, known increases in rates or cost, for the current Comparative Year or the current Comparative Insurance Year, as the case may be, applicable to the categories involved in computing Expenses or Building Insurance Expenses, whenever such increases become known prior to or during such current Comparative Year or the current Comparative Insurance Year, as the case may be. The payments required to be made under (ii) and (iii) above shall be credited toward the Expense Payment or the Insurance Expense payment due from Tenant for the then current Comparative Year or the current Comparative Insurance Year, as the case may be, subject to adjustment as and when the statement for such current Comparative Year or the current Comparative Insurance Year is rendered by Landlord.

50.07 A. The statements of the Expenses and the Building Insurance Expenses to be furnished by Landlord as provided above shall be certified by Landlord, and shall be prepared in reasonable detail and based on information and computations made for the Landlord by a Certified

Public Accountant (who may be the CPA now or then employed by Landlord for the audit of its accounts):said Certified Public Accountant may rely on Landlord's allocations and estimates wherever operating cost allocations or estimates are needed for this Article. The statements thus furnished to Tenant shall constitute a final determination as between Landlord and Tenant of the Expenses for the periods represented thereby, unless Tenant within one hundred and eighty (180) days after they are furnished shall give notice to Landlord that it disputes their accuracy or their appropriateness, which notice shall specify the particular respects in which the statement is inaccurate or inappropriate or, in the event that such statement does not itemize or provide reasonable supporting documentation for the increase in such Expenses and Building Insurance Expenses, then such notice shall be accompanied by a statement from an independent, third party real estate professional with at least ten (10) years experience in commercial office leasing and/or management in midtown Manhattan, indicating with reasonable detail the basis under the circumstances for such dispute such as, for example, a comparison of those Expenses or Building Insurance Expenses to those of various other Buildings of comparable age, class and character in midtown Manhattan. Pending the resolution of any such dispute, Tenant shall pay the Additional Rent to Landlord in accordance with the statements furnished by Landlord.

B. Provided that (a) notice is given by Tenant in a timely fashion under Section A, above that Tenant desires to review Landlord's Records (as defined below), and (b) all Additional Rent is timely and fully paid by Tenant to Landlord in accordance with the statements furnished to Tenant under this Article; Landlord shall grant an independent certified public accountant retained by Tenant reasonable access to so much of Landlord's books and records as may be reasonably required (the "Records") for the purposes of verifying the Expenses and the Building Insurance Expenses incurred for the Comparative Year or the Comparative Insurance Year then just ended, as the case may be, (hereinafter, an " Audit") during normal business hours at the place where they are regularly maintained in New York, New York, for a period of forty five (45) days from the date notice is given by Tenant under Section A of this Article. Tenant and its independent certified public accountant shall execute a confidentiality agreement prepared by Landlord prior to the time access to the Records is given.

C. In the event that Tenant, after having reasonable opportunity to examine the Records (but in no event more than one hundred eighty (180) days from the date on which the Tenant sends to Landlord notice of such dispute), shall disagree with the Landlord's Statement, then Tenant may send a written notice ("Tenant's Statement") to Landlord of such disagreement, specifying in reasonable detail the basis for Tenant's disagreement and the amount of Expense Payment or Building Insurance Expense Payment, as the case may be, Tenant claims is due. Landlord and Tenant shall attempt to adjust such disagreement. If they are unable to do so within thirty (30) days, and provided that the amount Tenant claims is due is substantially different from the amount Landlord claims is due (the term "substantially" as used herein, shall mean a variance of five (5%) percent or more) Landlord and Tenant shall together designate an independent, third party certified public accountant (the "Arbiter") whose determination made in accordance herewith shall be binding upon the parties; it being understood that if the amount Tenant claims is due is not substantially different from the amount Landlord claims is due, then Tenant shall have no right to further dispute or protest such amount and shall pay the amount that Landlord claims is due to the extent not theretofore paid. If the determination of Arbiter shall substantially confirm the determination of Landlord, then Tenant shall pay the cost of the Arbiter. If the Arbiter shall

substantially confirm the determination of Tenant, then Landlord shall pay the cost of the Arbiter. In all other events, the cost of the Arbiter shall be borne equally by Landlord and Tenant. The Arbiter shall be a member of an independent certified public accounting firm having at least three (3) accounting professionals and having at least ten (10) years of experience in real estate accounting for commercial office buildings in midtown Manhattan. In the event that Landlord and Tenant shall be unable to agree upon the designation of the Arbiter within thirty (30) days after receipt of notice from the other party requesting agreement as to the designation of the Arbiter, which notice shall contain the names and addresses of two or more such certified public accountants who are acceptable to the party sending such notice (any one of whom, if acceptable to the party receiving such notice as shall be evidenced by notice given by the receiving party to the other party within such thirty (30) day period, shall be the agreed upon Arbiter), then either party shall have the right to request the AAA or any successor thereto to designate as the Arbiter in accordance with the foregoing required qualifications, whose determination made in accordance herewith shall be conclusive and binding upon the parties, and the cost charged by the AAA or any successor thereto for designating such Arbiter shall be borne equally by Landlord and Tenant Landlord and Tenant hereby agree that any determination made by an Arbiter designated pursuant to this Article shall not exceed the amount(s) as determined to be due in the first instance by Landlord's Statement, nor shall such determination be less than the amount(s) claimed to be due by Tenant's Statement, and that any determination which does not comply with the foregoing shall be null and void and not binding on the parties. In rendering such determination such Arbiter shall not add to, subtract from or otherwise modify the provisions of this Lease, including the immediately preceding sentence. Notwithstanding the foregoing provisions of this section, Tenant, pending the resolution of any contest pursuant to the terms hereof, shall continue to pay all sums as determined to be due in the first instance by such Landlord's Statement and upon the resolution of such contest, suitable adjustment shall be made in accordance therewith with appropriate refund to be made promptly thereafter by Landlord to Tenant (or credit extended to Tenant promptly thereafter against the monthly installments of Fixed Annual Rent next becoming due under this Lease until such credit is exhausted) if required thereby.

50.08 In no event shall the Fixed Annual Rent under this Lease be reduced by virtue of this Article.

50.09 Landlord's and Tenants obligation to make adjustments as provided for above in this Article shall survive any expiration or termination of this Lease.

50.10. Any delay or failure of Landlord in billing any escalation hereinabove provided shall not constitute a waiver of or in way impair the continuing obligation of Tenant to pay such escalation hereunder. Landlord shall deliver to Tenant the final statement of the Expenses and the Building Insurance Expenses hereunder no later than twenty-four (24) months after the expiration of the Term of this Lease or twenty-four (24) months following the sooner termination of this Lease and any sums due hereunder and not set forth by Landlord in a statement delivered within said twenty-four (24) month period shall be deemed waived by Landlord.

ARTICLE 51

RETAIL SPACE USE IN THE BUILDING

51.01 For so long as this Lease shall remain in full force and effect, Landlord shall not permit any of the retail space in the Building to be used for (i) the sale or display of merchandise of obscene or pornographic material, or for live nude or semi-nude performances, nude modeling, rap sessions, or as a so-called "rubber goods" store, or as a sex club of any sort, or as a "massage parlor"; (ii) a gambling or gaming establishment or casino (i.e., OTB); (iii) a barber or beauty shop; (iv) a school of any kind or an employment or placement agency; (v) a funeral parlor; (vi) medical or psychiatric offices or medical care clinic; (vii) nightclub or fraternal organizations; or (viii) any immoral or illegal purpose. Pornographic material is defined as any written or pictorial matter with prurient appeal or any objects or instruments that are primarily concerned with lewd or prurient sexual activity. Obscene material shall have the same meaning ascribed to i t under Penal Law Section 235.00.

ARTICLE 52

RENEWAL OPTION

52.01 Tenant shall have the option (the "Renewal Option") to extend the term of this Lease for one (l) renewal term of five (5) years (the "Renewal Term") which shall commence on the date immediately succeeding the expiration of the Term, provided that on the Renewal Notice Date (as hereinafter defined) and on the commencement date of the Renewal Term (i) this Lease shall be in full force and effect; and (ii) Tenant shall not be in default of this Lease after notice (in which event Tenant's rights under this Article shall be suspended until the earlier of (a) Tenant's timely and full cure of the default alleged in such notice, at which time Tenant's obligations hereunder shall be reinstated, and (b) the expiration of Tenant's time in which to cure such default, at which time Tenant's rights hereunder shall be extinguished). The Renewal Option may be exercised with respect to the entire Premises only and shall be exercisable by the Tenant delivering to Landlord a notice (the "Renewal Notice") no later than the date (the "Renewal Notice Date") that is one hundred eighty (180) days prior to the expiration of the Term. In the event that Tenant fails to give the Renewal Notice by the Renewal Notice Date, the Named Tenant shall be deemed to have waived its Renewal Option. Time is of the essence with respect to the giving of the Renewal Notice. Landlord shall have the right, in its sole discretion, to waive any or all of the foregoing conditions to Tenant's exercise of the Renewal Option. Upon the giving of the Renewal Notice or in the event that the Renewal Option shall be waived, or deemed waived pursuant to the terms hereof, the Tenant shall have no further right or option to extend or renew the term of this Lease.

52.02 If Tenant exercises the Renewal Option, the Renewal Term shall be upon the same terms, covenants and conditions as those contained in this Lease, except that (i) the Fixed Annual Rent shall be determined pursuant to Section 52.03 hereof, (ii) the Base Tax Year as set forth in Article 32 shall mean the New York City Real Estate Tax Year during which occurs the first day of the Renewal Term, and (iii) the Base Year as set forth in Article 50 shall mean the calendar year during which occurs the first day of the Renewal Term, and (iv) the provisions of Articles 22, 52, 54, and *55* shall not be applicable during the Renewal Term.

52.03 Fixed Annual Rent during the Renewal Term shall be based upon the Fair Market Rent for the Premises, determined as follows. For purposes of determining the fair market rent payable per annum for each Renewal Term ("Fair Market Rent"), the following procedure shall apply:

(1) the Fair Market Rent shall be determined on the basis of the annual rent that an unrelated third party (a "Third Party Tenant") would be willing to pay for the Premises for a term commencing on the first day of such Renewal Term and expiring five (5) years thereafter, assuming that (i) the Premises are free and clear of all leases and tenancies (including this Lease), that (ii) the Premises are available in the then rental market for comparable office buildings in Manhattan, (iii) Landlord has had a reasonable time to locate a Third Party Tenant who rents with the knowledge of the uses.to which the Premises can be adopted, (iv) neither Landlord nor such Third Party Tenant is under any compulsion to rent; (v) Landlord shall not be obligated to perform any work in the Premises to prepare the same for such Third Party Tenant's occupancy; (vi) such Third Party Tenant shall not be entitled to any work contribution, cash allowance, moving allowance, free rent period, or any other tenant inducement, notwithstanding the fact that one or more of such tenant inducements may commonly be available to prospective tenants at such time, (vii) such Third Party Tenant shall not have any renewal or expansion rights, (viii) such Third Party Tenant shall accept the Premises in their then "as is" condition with the existing leasehold improvements and layout to be inherited by such Third Party Tenant, (ix) the fact that Landlord would be required to pay one full brokerage commission to an outside broker and.one-half brokerage commission to its managing agent in connection with such leasing to a Third Party Tenant and (x) that Additional Rent for all escalations under the Lease shall continue to be paid by Tenant during such Renewal Term.

(2) Landlord, no less than ninety (90) days prior to the date set for the commencement of the Renewal Term shall deliver to Tenant a notice setting forth Landlord's determination of the fair market rent for the Premises ("Landlord's Determination"). If Landlord shall refuse to give such notice as aforesaid, Landlord's Determination shall be deemed to be equal to the Fixed Annual Rent payable by Tenant as of the expiration of the term of this Lease immediately prior thereto. Tenant, within thirty (30) days after its receipt of Landlord's Determination, or Landlord's refusal to give Landlord's Determination, shall give a notice to Landlord setting forth Tenant's determination of the fair market rent for the Premises (" Tenant's Determination"). If neither Landlord nor Tenant shall deliver a determination as aforesaid, the Fixed Annual Rent for the Premises shall be deemed to be equal to the Fixed Annual Rent payable by Tenant on the day prior to the Expiration Date. If Landlord's Determination and Tenant's Determination are not equal, Landlord and Tenant shall attempt to agree upon the Fair Market Rent for the Premises. If Landlord and Tenant shall mutually agree upon the determination of the Fair Market Rent, their determination (the "Mutual Determination") shall be the Fixed Annual Rent for the Premises and shall be final and binding upon the parties.

(3) If Landlord and Tenant shall be unable to reach a Mutual Determination within thirty (30) days after delivery of each of their respective Determinations to the other Party, Landlord and Tenant shall jointly select an independent real estate appraiser (the " Appraiser") whose fee shall be borne equally by Landlord and Tenant. In _the event that Landlord and Tenant shall be unable to jointly agree on the designation of the Appraiser within five (5) days

after they are requested to do so by either party, then the parties agree to allow the AAA, or any successor organization to designate the Appraiser in accordance with the rules, regulations and/or procedures then obtaining of the AAA or any successor organization. Landlord and Tenant shall, within five (5) days after the designation of the Appraiser, submit to the Appraiser in sealed envelopes, their respective determinations of the Fair Market Rent for the Premises ("Landlord's Arbitration Determination " and "Tenant's Arbitration Determination ", respectively). Neither Landlord nor Tenant shall be bound by Landlord's Determination or Tenant's Determination and Landlord's Determination and Tenant's Determination shall not be revealed to or taken into account by the Appraiser. The Appraiser shall not open the sealed envelopes and/or reveal to either party Landlord's Arbitration Determination or Tenant's Arbitration Determination until the Appraiser bas received both Landlord's Arbitration Determination and Tenant's Arbitration Determination.

(4) The Appraiser shall conduct such hearings and investigations as be may deem appropriate and shall, within thirty (30) days after the date of designation of the Appraiser, issue a written report delivered to both Landlord and Tenant selecting either Landlord's Arbitration Determination or Tenant's Arbitration Determination and setting forth the rationale for such choice, and such choice by the Appraiser shall be conclusive and binding upon Landlord and Tenant. Each party shall pay its own counsel fees and expenses, if any, in connection with any arbitration under this Article. The Appraiser appointed pursuant to this Article shall be an independent real estate appraiser with at least ten (10) years experience in leasing and valuation of properties which are similar in character to the Building, with an MAI designation and a member of the American Institute of Appraisers of the National Association of Real Estate Boards and a ·member of the Society of Real Estate Appraisers. The Appraiser shall not have the power to add to, modify or change any of the provisions of this Lease.

(5) It is expressly understood that any determination of the Fair Market Rent shall be based on the criteria stated in this Article.

ARTICLE 53

RIGHTS OF PURCHASE

53.01 (a) In the event that during the original Term hereof, Landlord shall make the Building available for purchase to the general public (each such instance, during the original Term, for which Landlord's entire interest in the Building is available to the general public continuously and without interruption for purchase being an "Availability Period"), then Landlord have the recurring obligation during each Availability Period to give notice to the Named Tenant of such availability and shall offer the Building to Named Tenant at a purchase price determined by Landlord, in Landlord 's sole discretion (the "ROFO Notice"). In the event that the ROFO Notice is given by Landlord, and provided that (1) Tenant is not in default of any of its material obligations under this Lease after notice (in which event Tenant's rights under this Article shall be suspended until the earlier of (i) Tenant's timely and full cure of the default alleged in such notice, at which time Tenant's obligations hereunder shall be reinstated, and (ii) the expiration of Tenant's time in which to cure such default, at which time Tenant's rights hereunder with respect to Artic1e 53 shall

be extinguished) (a) as of the date of the giving of the ROFO Notice, or (b) at the time of exercise of Tenant's rights under this Article; and (2) the Named Tenant shall occupy no less than seventy five (75%) percent of the Premises for the conduct of its business (as opposed to mere lawful possession) in accordance with and subject to Article 2 hereof, then the Named Tenant shall have the right to purchase the Building on the terms and in strict compliance with the conditions set forth below and at the purchase price set forth in the ROFO Notice and on such additional terms as shall be negotiated by the parties in good faith (the "ROFO Purchase Option"). Notwithstanding anything to the contrary set forth above, Landlord shall have the right, in its sole discretion, to waive any conditions to the ROFO Purchase Option under the provisions of this Article.

(b) Subject to the other provisions of this Article, Named Tenant shall give Landlord notice of its election to exercise its ROFO Purchase Option hereunder no later than fourteen (14) days following the date upon which Landlord's First Offer to the Named Tenant. Time shall be of the essence in. connection with the exercise by Named Tenant of its ROFO Purchase Option.

(c) In the event Tenant shall fail to timely and properly notify Landlord of its election to exercise the ROFO Purchase Option within the time period as provided in Section 53.0l(b) above, Named Tenant shall be deemed conclusively to have waived its rights to purchase the Building hereunder during that particular Availability Period and Tenant shall not have any further rights under this Article for that particular Availability Period or be entitled to any right, remedy or relief under this Lease as a consequence thereof including, without limitation, any right of set-off, credit, abatement or termination in connection with such ROFO Purchase Option or Availability Period. Named Tenant agrees upon request of Landlord to confirm such waiver and non-exercise in writing; however, failure to do so by Named Tenant shall not operate to revive any rights of Named Tenant under this Article. Notwithstanding anything to the contrary contained in this Article, Tenant shall retain its rights under this Article to purchase the Building for any subsequent Availability Periods.

53.02 (a) In the event that Named Tenant has rejected its ROFO Purchase Option, and Landlord receives a bona fide offer from an independent, qualified, third party during the Term of this Lease and during an Availability Period, which is more than ten (10%) percent below the purchase price set forth in the ROFO Notice for that particular Availability Period (the "3rd Party Offer") and which is acceptable to Landlord for the purchase of the Building, Landlord agrees to give notice to Named Tenant of such 3rd Party Offer (the "ROFR Notice"). Landlord and Tenant acknowledge and agree that Landlord shall not be required to give Tenant notice of any bona fide offer from a third party during the Term of this Lease and during an Availability Period, which is within ten (10%) percent of the purchase price set forth in the ROFO Notice for the applicable Availability Period. In the event that a ROFR Notice is given by Landlord, and provided that (1) Tenant is not in default of any of its material obligations under this Lease after notice (in which event Tenant's rights under this Article shall be suspended until the earlier of (i) Tenant's timely and full cure of the default alleged in such notice, at which time Tenant's obligations hereunder shall be reinstated, and (ii) the expiration of Tenant's time in which to cure such default, at which time Tenant's rights hereunder with respect to Article 53 shall be extinguished) (a) as of the date of the giving of the ROFR Notice, or (b) at the time of exercise of Tenant's rights under this Article; and

(2) the Named Tenant shall occupy no less than seventy five (75%) percent of the Premises for the conduct of its business (as opposed to mere lawful possession) in accordance with and subject to Article 2 hereof, then Named Tenant shall have the right to purchase the Building on the terms, covenants and conditions identical to those contained in the ROFR Notice and on the terms and in strict compliance with the conditions set forth below and o.n such additional terms as shall be negotiated by the parties in good faith (the "ROFR Purchase Option"). Notwithstanding anything to the contrary set forth above, Landlord shall have the right, in its sole discretion, to waive any conditions to the ROFR Purchase Option under the provisions of this Article.

(b) Subject to the other provisions of this Article, Named Tenant shall give Landlord notice of its election to exercise its ROFR Purchase Option hereunder no later than fourteen (14) days following the date upon which Landlord's ROFR Notice to Named Tenant is given. Time shall be of the essence in connection with the exercise by Named Tenant of its ROFR Purchase Option.

(c) In the event Tenant shall fail to timely and properly notify Landlord of its election to exercise the ROFR Purchase Option within the time period as provided in Section 53.02(b) above, Named Tenant shall be deemed conclusively to have waived its rights to purchase the Building hereunder during that particular Availability Period and Tenant shall not have any further rights under this Article for that particular Availability Period or be entitled to any right, remedy or relief under this Lease as a consequence thereof including, without limitation, any right of set-off, credit, abatement or termination ROFR Purchase Option or Availability Period. Named Tenant agrees upon request of Landlord to confirm such waiver and non-exercise in writing; however, failure to do so by Named Tenant shall not operate to revive any rights of Named Tenant under this Article. Notwithstanding anything to the contrary contained in this Article, Tenant shall retain its rights under this Article to purchase the Building for any subsequent Availability Periods.

53.03 In the event that Named Tenant properly and timely exercises its ROFO Purchase Option or ROFR Purchase Option, as the case may be, under this Article, then within twenty (20) days thereafter, Landlord and Named Tenant shall each exercise diligent efforts to negotiate in good faith a contract of sale, to be prepared by Landlord's counsel, for the purchase of the Building by Named Tenant at the purchase price set forth in the ROFO Notice or the ROFR Offer, as the case may be, and upon such other terms as are contained in this Article and on such additional terms as shall be negotiated by the parties in good faith.

53.04 1n the event that notwithstanding the exercise of diligent efforts and good faith negotiation by Landlord and Named Tenant, they cannot agree on all material terms of a contract of sale hereunder acting reasonably and in good faith within said twenty (20) day period, then the ROFO Purchase Option or the ROFR Purchase Option, as the case may be, shall be of no further force and effect, and Landlord shall be under no obligation to make the Building available for sale to Named Tenant pursuant to the provisions of this Article or otherwise, Landlord shall be free to sell the Building to anyone or no one at any and all times thereafter, in its sole discretion, and upon such terms as Landlord may determine, in its sole discretion, and Tenant shall not have any further rights under this Article or be entitled to any right, remedy or relief under this Lease as a consequence thereof including, without limitation, any right of set-off, credit, abatement or termination

53.05 In the event that Landlord and Named Tenant shall timely and successfully negotiate and agree upon all material terms of a contract of sale in accordance with the provisions of this Article, then Landlord shall proceed in good faith to sell to Named Tenant, and Named Tenant shall proceed in good faith to purchase from Landlord, the Building in accordance with and pursuant to the terms, covenants and conditions of such contract of sale.

ARTICLE 54

COMMUNICATIONS DISH OPTION

54.01 Landlord agrees that, at all times subject to and in compliance with all laws, ordinances, statutes, rules and regulations of all governmental, quasi-governmental and public authorities and agencies having jurisdiction thereof, and further subject to the conditions and limitations hereinafter stipulated, during the term of this Lease Tenant shall be entitled to install (hereinafter called the "Communications Dish Option"), on a portion of the rooftop of the Building and thereafter maintain, repair, and operate one (1) communications dish and a customary and reasonably required support structure (hereinafter referred to collectively as the "Communications Dish"), which Communications Dish is intended to receive and/or send signals on the roof of the Building incident to the conduct of Tenant's permitted use of the Premises, provided and on condition that: (i) at the time that Tenant shall exercise the Communications Dish Option, there shall be available on the roof a location appropriate, in Landlord's reasonable judgment, for the Communications Dish, which shall not then be encumbered by any option or right given by Landlord to any other third parties to use or occupy such space, and which is not intended for the installation of any equipment by Landlord, and which location would not, after the installation of the Communications Dish, interfere with the installation, operation or maintenance of any other antenna, dishes or equipment theretofore installed on the roof of the Building (such location is hereinafter called the "Communications Dish Area"), it being understood and agreed that if, in Landlord's reasonable judgment, no such appropriate location exists, then Landlord shall give Tenant notice upon the next availability of a Communications Dish Area, and Tenant shall have the right to thereafter install a Communications Dish in accordance with the provisions hereof; (ii) the size and dimensions of the Communications Dish as well as the location of the portion of the rooftop for such installation shall be subject to Landlord's prior written consent, such consent not to be unreasonably withheld or delayed; (iii) the Communications Dish shall not extend higher than the parapet of the roof of the Building; (iv) the Communications Dish shall be placed within the Communications Dish Area; (v) the installation, maintenance and position of such Communications Dish shall comply with laws, ordinances, statutes, rules and regulations of all governmental, quasi-governmental and public authorities and agencies having jurisdiction thereof; (vi) the installation of any electrical or communications lines ("Wiring") in connection with the installation and operation of the Communications Dish, as well as the manner and location (i.e., routing) of all Wiring in connection therewith shall (a) be at Tenant's sole cost and expense, and (b) be subject to Landlord's prior written consent, such consent not to be unreasonably withheld or delayed; (vii) the Communications Dish, Communications Dish Area and Wiring shall be maintained, operated and kept in good repair by Tenant, at Tenant's sole cost and expense; and (viii) Tenant shall not install the Communications

Dish without Landlord's prior written approval of (a) the manner of such installation and (b) detailed plans and specifications for such installation, such approval not to be unreasonably withheld or delayed. The parties agree that Tenant's use of the rooftop of the Building is a nonexclusive use and Landlord may permit the use of any other portion of the roof to any other individual or entity for any reasonable use whatsoever.

54.02 Tenant shall exercise the Communications Dish Option by giving Landlord written notice thereof (hereinafter called "Tenant's C.D. Option Notice") at any time during the term of this Lease. Such notice shall include specifications for the Communications Dish and the proposed manner of mounting same in the Communications Dish Area. Landlord shall reasonably promptly thereafter give Tenant notice of whether or not a Communications Dish Area is then available. In the event that a Communications Dish Area is available for Tenant, or when such Communications Dish Area next becomes available, then the following provisions of this Article shall apply.

54.03 There shall be no Fixed Annual Rent or Additional Rent payable by Tenant in connection with the exercise by Tenant of the Communications Dish Option.

54.04 For the purpose of installing, servicing and/or repairing the Communications Dish and related equipment, Tenant shall have access to the rooftop of the Building upon prior reasonable request to Landlord. All access by Tenant to the rooftop of the Building shall be subject to the supervision and control of Landlord and to Landlord's reasonable safeguards for the security and protection of the Building, the Building equipment and installations and equipment of other tenants of the Building as may be located on the rooftop of the Building. Landlord shall have the right to assign a Building representative to be present during the duration of Tenant's access to the rooftop and Tenant shall pay the Landlord's reasonable, actual out of pocket charges therefor within twenty (20) days of demand as Additional Rent under this Lease.

54.05 Tenant, at its sole cost and expense, agrees to promptly obey, observe and comply with all laws, ordinances, regulations, requirements and rules of all governmental, quasi-governmental and public authorities and agencies having jurisdiction over Tenant's use of said rooftop as to the installation, repair, maintenance and operation of any support structures, the Communications Dish and the Wiring erected or installed by Tenant pursuant to the provisions of this Article. Tenant, at its sole cost and expense, shall secure and thereafter maintain all permits and licenses required for the installation and operation of the Communications Dish including, without limitation, any approval, license or permit required from the Federal Communications Commission. In no event shall the maximum level of microwave emissions from the Communications Dish exceed an amount equal to Tenant's proportionate share of the total microwave emissions allowable for the Building as determined by the governmental, quasi-governmental and public authorities and agencies having jurisdiction thereof.

54.06 Tenant agrees that Tenant shall pay for all electrical service required for Tenant's use of the Communications Dish and related equipment erected or installed by Tenant pursuant to the provisions of this Article, in accordance with Article 41 of this Lease, and Tenant further agrees that such electric service shall feed off the supply of electrical energy furnished to the

Premises or by other available means of Landlord as provided in Article 41 of this Lease.

54.07 The Communications Dish and all Wiring installed by Tenant in collection with the installation and operation of the Communications Dish shall be Tenant's personal property, and upon the expiration or earlier termination of this Lease, shall be removed by Tenant at Tenant's sole cost and expense. Tenant, at its sole cost and expense, shall promptly repair any and all damage to the rooftop of the Building and to any other part of the Building caused by or resulting from the installation, maintenance and repair, operation or removal of the Communications Dish and Wiring erected or installed by Tenant pursuant to the provisions of this Article and shall promptly restore said affected areas to their condition as existed prior to the installation of the Communications Dish.

54.08 Tenant agrees that Landlord shall not be required to provide any services whatsoever to the rooftop of the Building.

54.09 Tenant covenants and agrees that all installations made by Tenant on the rooftop of the Building or in any other part of the Building pursuant to the provisions of this Article shall be at the sole risk of Tenant, and neither Landlord nor Landlord's agents or employees shall be liable for any damage or injury thereto caused in any manner, unless the same shall proximately result from the negligence or willful misconduct of Landlord, its agents and employees.

54.10 Tenant hereby indemnifies and agrees to save Landlord harmless from and against: (i) any and all claims; reasonable counsel fees, demands, damages, expenses or losses by reason of any liens, orders, claims or charges resulting from any work done, or materials or supplies furnished, in connection with the fabrication, erection, installation, maintenance and operation of the Communications Dish and Wiring installed by Tenant pursuant to the provisions of this Article; and (ii) any and all claims, costs, demands, expenses, fees or suits arising out of accidents, damage, injury or loss to any and all persons and property, or either, whomsoever or whatsoever resulting from or arising in collection with the erection, installation, maintenance and operation and repair of the Communications Dish and Wiring installed by Tenant pursuant to the provisions of this Article; except to the extent caused by the negligence or willful misconduct of Landlord, or its agents or employees. Tenant shall obtain and thereafter maintain throughout the term of this Lease and any renewals or extensions thereof, insurance coverage naming Landlord as an additional insured in such amount and of such type as Landlord may reasonably require subject to the limitations containing in Article 43 hereof.

54.11 All plans and specifications of Tenant's work and installations to be performed by Tenant pursuant to the provisions of this Article shall be subject to the prior written approval of Landlord, such approval not to be unreasonably withheld or delayed, and shall be further subject to inspection and reasonable supervision by Landlord.

54.12 Tenant covenants and agrees that the Communications Dish and Wiring shall not interfere with or adversely affect any equipment, installations, lines or machinery of the Building or, in the event that Tenant (including anyone claiming through Tenant) no longer occupies the entire rentable portion of the Building, any other tenant or occupant of the Building, or user of the rooftop

including, without limitation, any other pre-existing communications equipment in, on top of or otherwise outside the Building, or access thereto for maintenance, repair or removal.

54.13 Tenant acknowledges being advised by Landlord that Landlord may have granted and may be granting to third parties various rights and licenses to utilize various portions of the Building and rooftop thereof for the installation of microwave dishes, satellite communications equipment, whip communications dishes and other communications equipment and related equipment (hereinafter all of the foregoing are collectively referred to as "Other Communications Equipment"), provided that, so long as Tenant is not in default under the Lease, such Other Communications Equipment installed after Tenant's Dish shall not interfere with Tenant's Communications Dish or access thereto, and that, inasmuch as Landlord's ability to facilitate the installation and operation of such Other Communications Equipment will be of paramount importance to Landlord, Landlord shall have the right, at any time and from time to time, during the term of this Lease, upon thirty (30) days' prior written notice to Tenant, to relocate, at Landlord's sole cost and expense, the Communications Dish to other areas of the rooftop, as Landlord in its sole discretion may determine so as to accommodate such Other Communications Equipment on the roof of the Building and so as to eliminate, or avoid, problems of interference with respect to or between Other Communications Equipment now, or in the future, installed on the roof or other areas of the Building. Such relocation shall, to the extent practicable, be performed during hours other than Tenant's regular business hours so as to minimize any disruption of Tenant's normal business activities and except for such downtime such relocation shall not prevent Tenant from using its Communications Dish for its original intended purpose. Tenant shall cooperate with Landlord to effectuate the relocation of Tenant's Communications Dish, support structures and related equipment, as shall be required by Landlord.

54.14 Tenant shall not be permitted to assign or transfer all or any portion of the rights granted to Tenant pursuant to this Article except in connection with an assignment of this Lease to its permitted assigns in accordance with the terms of this Lease.

ARTICLE 55

LANDLORD'S CONTRIBUTION

55.01 Tenant shall have prepared by a registered architect and/or a licensed professional engineer, at its sole cost and expense, and submit to Landlord for its approval in accordance with the applicable provisions of the Lease, final and complete dimensioned architectural, mechanical, electrical and structural drawings and specifications ("Cooling Tower Plans") in a form ready for use as construction drawings for the removal of the existing cooling tower serving the eight (8^{th}) through twelfth (12^{th}) floors and penthouse portions of the Premises (the "'Existing Cooling Tower") and the installation of a new cooling tower in its place ("Tenant's Cooling Tower Work "); provided however, that Tenant shall not be required to submit such Cooling Tower Plans to Landlord for its approval, provided that the new cooling tower shall be identical in size, height, weight and tonnage, footprint, location, connection and manner of affixation to the roof of the Building as the Existing Cooling Tower. The Cooling Tower Plans, if required, and all such work shall be effected in accordance with all applicable provisions of the Lease at Tenant's sole cost and expense. If and so long as Tenant is not in default under the Lease, after notice and the expiration of the cure period

applicable to such default hereunder, if any, subject to and in accordance with the provisions of this Article, Landlord shall contribute up to the sum of $100,000.00 ("Landlord's Contribution") to the cost of labor and materials for the portion of the Tenant's Cooling Tower Work which constitutes Qualified Renovations. "Qualified Renovations" shall be defined as the labor and materials used by Tenant to effect Tenant's Cooling Tower Work in compliance with this Lease after the date hereof and prior February 1, 2007. Without limitation, for purposes of this Article, Qualified Renovations shall be deemed not to include and Landlord's Contribution shall not be applied to the cost of interest, late charges, trade fixtures, furniture, furnishings, equipment, professional fees, workstations, work surfaces (whether or not affixed to walls and/or convector covers), related cabinetry, moveable business equipment or any personal property whatsoever, or to the cost of labor, materials or services used to furnish or provide the same. Notwithstanding anything to the contrary contained herein, in the event that Tenant shall be prevented from performing or timely completing Tenant's Cooling Tower Work in accordance with the terms, covenants and conditions of the Lease on or before February 1, 2007, by reason of strikes, lockouts, job actions, shortage or unavailability of supplies, governmental laws or regulations, riots, terrorism, insurrections, wars, acts of war or Acts of God (collectively "Force Majeure"), then, if and so long as Tenant, in good faith, uses reasonable efforts to comply with and with due diligence proceeds to perform Tenant's Cooling Tower Work and meet all such obligations and requirements hereof, provided that Tenant gives to Landlord prompt written notice of both (i) its inability to perform and complete Tenant's Cooling Tower prior to February 1, 2007, and (ii) the restoration of Tenant's ability to perform Tenant's Cooling Tower, then the period set forth in this Agreement for the performance of Tenant's Cooling Tower Work shall be extended by one (1) day for each day of a delay solely caused. by any such Force Majeure until Tenant is no longer so prevented to perform Tenant's Cooling Tower Work.

55.02 "Requisition" shall mean a request by Tenant for payment from Landlord for Qualified Renovations and shall consist of an AIA 0702/703 form or other such documents and information from Tenant as Landlord may reasonably require to substantiate the completion of, and payment for, such Qualified Renovations to which the Requisition relates (the "Work Cost") and shall include, without limitation, the following: an itemization of Tenant's total construction costs, detailed by contractor, subcontractors, vendors and materialmen; bills, receipts, lien waivers and releases from all contractors, subcontractors, vendors and materialmen; architects' and Tenant's certification of completion, payment and acceptance, and all governmental approvals and confirmations of completion for the portion of the Tenant's. Cooling Tower Work theretofore completed and for which Tenant seeks payment.

55.03 From time-to-time, but not more than once a month, Tenant may give Landlord a Requisition for so much of the Work Cost as arose since the end of the period to which the most recent prior Requisition related, or, with respect to the first Requisition, for the initial Work Cost.

55.04 A. If Tenant is not in default under this Lease, after notice and the expiration of the cure period applicable to such default hereunder, if any, and provided that all documents and information required by Landlord have been provided, within thirty (30) days after Landlord receives a Requisition, Landlord shall pay Tenant eighty five percent (85%) of the Work Cost reflected in such Requisition (the "Reimbursement") and shall withhold the remaining fifteen

percent (15%) of Work Cost (the "Retainage"); and provided that Tenant is not in default under this Lease, after notice and the expiration of the cure period applicable to such default hereunder, if any, within thirty (30) days after Tenant furnishes Landlord with (x) a final, stamped set of "as-built" plans for the Premises which demonstrates that Tenant's Cooling Tower Work has been completed in accordance with plans and specifications first approved by Landlord and (y) its final Requisition which demonstrates that Tenant's Initial Alteration Work has been completed and paid for in full by Tenant and (z) all documents and information required by Landlord, Landlord shall pay Tenant all the Retainages.

B . In the event that Landlord shall refuse or fail to reimburse Tenant, within thirty (30) days after the date upon which such Reimbursement is due, for any installment of Landlord's Contribution to which Tenant is entitled hereunder, and provided that (i) Tenant gives Landlord (Attn: Ralph Sitt) notice thereof, and (ii) Landlord fails to so reimburse Tenant within twenty (20) days thereafter, and (iii) provided that at all relevant times Tenant is not in default of this Lease after notice (in which event Tenant's rights under this Section 55.04B shall be suspended until the earlier of (a) Tenant's timely and full cure of the default alleged in such notice, at which time Tenant's rights hereunder shall be reinstated, and (b) the expiration of Tenant's time in which to cure such default without curing same, at which time Tenant's offset rights hereunder shall be extinguished, but without forfeiture of Tenant's rights and interest in Landlord's Contribution or the right to judicially recover the same or credit therefor from Landlord), Tenant may offset the amount of such Reimbursement against Fixed Annual Rent next becoming due under this Lease until such Reimbursement is exhausted, provided further that Tenant's notice to Landlord requesting Reimbursement hereunder shall state in bold, uppercase letters on the first (1st) page thereof, the following:

TENANT SHALL HAVE THE RIGHT TO OFFSET THE AMOUNT SPECIFIED HEREIN AGAINST THE FIXED ANNUAL RENT NEXT BECOMING DUE UNDER THE LEASE IN THE EVENT YOU FAIL TO REIMBURSE SUCH AMOUNT TO TENANT WITHIN TWENTY (20) DAYS AFTER TIDS NOTICE SHALL HAVE BEEN GIVEN TO YOU.

Notwithstanding anything to the contrary set forth above, Tenant shall not have any offset right against Fixed Annual Rent as set forth in this Section 55.04, in the event and to the extent that Landlord shall give notice to Tenant within said twenty (20) day period that such successor landlord disputes such request for Reimbursement, accompanied by a reasonably detailed description of the basis for such dispute.

55.05 It is expressly understood and agreed that if the amount of Landlord 's Contribution is less than the cost of Tenant's Cooling Tower Work, Tenant shall remain solely responsible for the payment and completion of, and in all events shall complete, at its sole cost and expense, Tenant's Cooling Tower Work on or before February 1, 2007, subject to Force Majeure. Any portion of Landlord's Contribution not disbursed shall be retained by Landlord.

ARTICLE 56

EXISTING PASSAGES TO 250 WEST 40TH STREET

56.01 Landlord and Tenant acknowledge and agree that there currently exist passageways between the ninth (9th), tenth (l0th), eleventh (11th), twelfth (12th) and penthouse portions of the Premises and the corresponding floors in the building (the "250 Building") at 250 West 40th Street, New York, New York (the "250 Passageways") which Tenant may use for ingress and egress to and from the 250 Building provided that (i) the 250 Passageways and Tenant use thereof shall at all times be compliant with all applicable laws, ordinances, directions, rules and regulations of governmental authorities having jurisdiction, (ii) Tenant shall indemnify and hold harmless Landlord, its directors, officers, members, partners, employees, agents, and their respective successors and assigns from and against any and all claims, demands, costs, expenses, awards and judgments arising out of, or resulting from Tenant's use and maintenance of the 250 Passageways, (iii) the landlord of the 250 Building permits Tenant such ingress and egress to and from the 250 Building, and (iv) in the event that Tenant is no longer lawfully permitted to use the 250 Passageways, Tenant shall have no right to any abatement, credit or set-off against Rent or to terminate this Lease. Tenant shall maintain, close or repair the 250 Passageways at anytime as Tenant deems necessary, throughout the term of the Lease as well as install, maintain and repair wiring, cabling piping, conduit and other communications and life safety equipment so that the adjacent premises in the 250 Building are connected to the Premises, provided that Tenant shall:(i) comply with all laws, orders and regulations of any governmental authority having or asserting jurisdiction over the Premises which shall impose any violation, order or duty upon Landlord or Tenant with respect to the 250 Passageways or the use or occupancy thereof and (ii) perform all work in a good and workman like manner and in compliance with all applicable provisions of this Lease. Tenant shall, at its sole cost and expense, maintain 250 Passageways in good condition and repair, in a good and workmanlike manner (reasonable wear and tear excepted), using materials of a quality equal or superior to that which existed prior to the maintenance or repair, by means of duly licensed professionals and otherwise in accordance with the provisions of this Article and this Lease. Tenant shall not be entitled to construct any additional passageways to 250 West 40th Street, New York, New York other than the 250 Passageways as they exist as of the date of this Lease.

56.02 On or before the Expiration Date or sooner termination of the Term, Tenant shall, at its sole cost and expense, remove the 250 Passageways, seal all openings and penetrations in connection therewith and repair and restore the affected portions of the Building and 250 West 40th Street, New York, New York to the condition that existed before the construction of the 250 Passageways (ordinary wear and tear excepted), in a good and workmanlike manner, using materials of a quality equal or superior to that which existed prior to the construction of the 250 Passageways, by means of duly licensed professionals and otherwise in accordance with the provisions of this Article and this Lease.

ARTICLE 57

TENANT'S ANNUAL STATEMENTS

57.01 At Landlord's request, from time to time, but not more than once in any given calendar year, Tenant shall furnish Landlord with copies of the most recent unaudited annual profit and loss statement and balance sheet (and any interim internal financial statements prepared by Tenant) which are to be certified by an officer of Tenant to be true and correct with respect to the information contained therein, within thirty (30) days after the preparation of such statement(s). In the event Tenant fails to timely and fully comply with the requirements of this Article, Tenant shall have a period of fifteen (15) days in which to cure such default (which fifteen (15) day cure period shall be in lieu of the cure period otherwise provided for in Section 5.01 hereof), in failure of which Landlord shall have such rights *as* are provided for at law, in equity and in said Section 5.01 of this Lease.

ARTICLE 58

ROOF USE

58.01 Landlord hereby grants to Tenant a license for the use of the portion of the roof of the Building delineated by horizontal lines and the term ''New Fireproof Wood Deck" the location plan annexed hereto and made a part hereof as "**Exhibit G**" (the "Roof Deck") on an exclusive basis subject to the rights of Landlord or its designee(s) as set forth hereinafter and subject to the express terms and conditions of this Article and otherwise upon those terms and conditions contained in this Lease ("Tenant's Roof Deck Rights",).

58.02 Notwithstanding anything to the contrary contained elsewhere in this Lease, Tenant shall maintain, repair and, if necessary replace, at Tenant's sole cost and expense (i) the Roof Deck except to the extent that the requirement for such maintenance, repair or replacement shall arise from the negligence or willful misconduct of Landlord, and (ii) the roof of the Building to the extent that the requirement for such maintenance, repair or replacement shall arise as a result of the use of the Roof Deck by Tenant or anyone claiming through Tenant. Tenant shall furnish Landlord with reasonable prior written notice before commencing any such maintenance, repair or replacements, all of which shall be performed in accordance with the applicable provisions of this Lease. Tenant shall maintain at all times during the term of this Lease insurance coverage for the Roof Deck of a nature, in such amounts and having such deductibles as shall be reasonably required by Landlord. Tenant hereby indemnifies and agrees to defend and hold harmless Landlord, its directors, officers, members, shareholders, partners, employees, agents, representatives, successors and assigns from and against any and all claims, demands, actions, proceedings, damages, liabilities, judgments, orders, awards, fines, penalties, costs and expenses (including, without limitation, reasonable attorneys' fees) arising from Tenant's Roof Deck Rights and/or from the use of the roof of the Building by Tenant or anyone claiming through Tenant. The provisions of the foregoing indemnity shall survive the expiration or sooner termination of the license contained herein or of this Lease.

58.03 Tenant, at Tenant's sole cost and expense, shall at all times during the term of this Lease promptly and faithfully obey, observe and comply with all laws, codes, rules and regulations of any (i) governmental or quasi-governmental authority or agency having jurisdiction or any (ii) insurance underwriter or authority having jurisdiction or (iii) the New York Board of Fire

Underwriters, in any manner affecting or relating to Tenant's Roof Deck Rights and shall be responsible, at Tenant's sole cost and expense, for obtaining and maintaining any and all permits and licenses necessary in connection with Tenant's Roof Deck Rights. Landlord shall, at Tenant's sole cost and expenses, reasonably cooperate with Tenant's efforts in obtaining any necessary permits provided that Landlord shall not be obligated to incur any cost or expense or liability of any kind in connection therewith as determined by Landlord in its reasonable discretion. Tenant's failure or inability to maintain Tenant's Roof Deck Rights shall not entitle Tenant to any abatement, credit or set-off against Rent or to terminate this Lease. Tenant agrees that Landlord shall not be required to provide any services whatsoever to the Roof Deck or to the roof of the Building.

58.04 Tenant shall not, from and after the date hereof, install any items or perform any alterations or improvements to the Roof Deck or to the roof of the Building without Landlord's prior consent which may be withheld in Landlord's sole discretion.

58.05 Notwithstanding anything to the contrary contained elsewhere in this Lease, Tenant shall have no right to assign, sublet, license or otherwise convey or transfer Tenant's Roof Deck Rights whatsoever or to permit the use of the roof of the Building by third parties for any purpose whatsoever, except Affiliates and invitees of Tenant, which Affiliates and invitees of Tenant shall be accompanied at all times by Tenant.

58.06 Tenant shall not use or permit the use of the Roof Deck for any purpose which is not in keeping with the character of a first-class office building in midtown Manhattan. In the event that Landlord shall give Tenant notice that any use of the Roof Deck violates the provisions of this Article or the Lease, Tenant shall immediately cease such violative use. If Landlord shall notify Tenant of a violation of the provisions of this Article or the Lease more than two (2) times during the Term, then such violations shall constitute a default which is deemed incapable of cure and, in addition to all other rights and remedies under this Lease, Landlord may revoke the license granted herein, without otherwise terminating this Lease, upon fourteen (14) days prior notice, and thereafter Tenant shall have no further rights in and to the Roof Deck or the roof of the Building under this Article, and Tenant shall not be entitled to any abatement, credit or set-off against Rent or to terminate this Lease as a result thereof.

58.07 Tenant acknowledges and agrees that Tenant's Roof Rights are hereby expressly made subject to the right of Landlord or Landlord's designee(s) to enter upon the Roof Deck, upon reasonable prior notice to Tenant, for the purpose of (i) maintaining, and making inspections, repairs, alterations and improvements to, the Building and Building systems, and (ii) any other legitimate purpose, and (iii) erecting and maintaining each year shortly prior to and throughout the Jewish holiday of Succoth (Tabernacles), a Succah (ritual hut) on the Roof Deck, which Succah shall be dismantled and removed in each instance within five (5) business days after the last day of the holiday and in connection with Succoth, Landlord shall use reasonable efforts to minimize interference with Tenant's use of the roof. Tenant shall ensure that in no event shall Tenant's use of Tenant's Roof Rights in any manner interfere with or in any manner compromise the safety, security or integrity of any such installations made by Landlord or Landlord's designee(s). Notwithstanding the foregoing, Landlord agrees that, for so long as (i) Tenant is not in default under this Lease after notice and beyond the expiration of any applicable cure period, and (ii) the Named Tenant and/or Affiliates shall occupy at least seventy five (75%) percent of the Premises for the conduct of its

business (as opposed to mere lawful possession), Landlord shall not lease or license any space on the roof of the Building to any third party other than for purposes of permitting the installation and maintenance of equipment which supports Premises in the Building occupied by such third party.

ARTICLE 59

TENANT'S SECURITY MEASURES

59.01 Tenant acknowledges and agrees that Landlord shall not be responsible to, and currently does not intend to, staff, station or maintain any (i) electronic security or surveillance systems or (ii) manned security, doormen, porters or concierge, in or about the lobby, stairwells, elevators, or common areas of the Building. Tenant may, at Tenant's sole cost and expense, station or install, operate and maintain, as the case may be, at the lobby, stairwells and common areas of the Building, as well as at the Premises, (a) professional, duly qualified and licensed security personnel, and/or (b) a security identification and screening system which may include, without limitation, passes or identification cards, video cameras or electronic surveillance; provided that all of the foregoing are comparable or better than the existing system. Notwithstanding anything to the contrary contained in this Article, (x) Tenant shall not station at the Building any security personnel who are not employed by Tenant, without the prior written notice to Landlord in each instance, and (y) Landlord's prior approval shall not be required in the event that Tenant enters into any agreement with or retain any third party security, provided that (i) Landlord is given prior notice thereof, (ii) Tenant delivers to Landlord a copy of the executed agreement within fourteen (14) days of the execution thereof, and (iii) such agreement expires or is terminable on or before the Expiration Date of this Lease. With reasonable promptness after demand by Landlord, Tenant shall promptly replace any security personnel referenced above in the event that hereinafter there occurs any negative experience with such security personnel or security service (in that they:(i) fail to provide security service in a manner consistent with good business or trade practice and such failure persists for a period of thirty (30) days after notice from Landlord, or (ii) conduct themselves in an unprofessional or disreputable manner in or about the Building and such failure persists for a period of thirty (30) days after notice from Landlord) or Landlord has reasonable concerns regarding the financial stability of, or any criminal proceedings pending against, any such security personnel or security service. Tenant acknowledges that the foregoing is a material inducement to Landlord to permit Tenant to station at the Building the security personnel referenced above, and that Tenant's failure to timely and fully comply with the foregoing provisions shall constitute a default of the terms of this Lease. Tenant hereby indemnifies and agrees to defend and hold Landlord, its members, partners, directors, officers, employees, representatives, servants and invitees, harmless from and against any and all claims, demands, suits, actions, proceedings, awards, judgments, orders, damages, fines, penalties, costs, fees, expenses, and liabilities whatsoever, arising out of the acts or omissions of Tenant, its members, partners, directors, officers, employees, representatives and servants stationed at the Building, acting or presumed to be acting pursuant to the provisions of this Article. Notwithstanding the provisions of this Article, at all times (1) Ralph Tawil, Sr., Saul Tawil, Ralph Tawil, Jr., Ralph Sitt, Eddie Sitt, David Sitt and Jack Sitt, shall be permitted access to the Building and the Premises consistent with the other provisions of this Lease without the necessity of any

Building pass or other Building security identification, provided that they have previously provided Tenant with their photographs so that they might be reasonably identified by any security personnel stationed at the Building or Premises by Tenant pursuant to this Article; and (2) Landlord, its designated members, partners, directors, officers, employees, representatives, servants and invitees shall be permitted access to the Building and the Premises consistent with the other provisions of this Lease, and Tenant's reasonable security requirements upon presentation of a current and valid form of any pass or other security identification method then maintained by Tenant at the Building, provided however, that Tenant shall promptly issue to Landlord upon request from time to time, such passes or other security identification.

ARTICLE 60

FREIGHT ELEVATOR SERVICE

60.01 No heavy or bulky materials including, but not limited to furniture, office equipment, packages, or merchandise ("Freight Items") shall be received in the Premises or Building by Tenant or removed from the Premises or Building by Tenant except on Mondays through Fridays between the hours of 8:00 a.m. and 7:30p.m. and on Saturdays from 8:00 a.m. through 3:00 p.m. ("Freight Hours") and by means of the freight elevators only, which shall be available on a first come, first served basis, free of charge. Landlord shall be required to provide a freight elevator operator during all Freight Hours other than on Saturdays. In the event that Tenant requires additional freight elevator service on days or at hours other than those set forth above, Tenant shall provide Landlord with at least twenty four (24) hours prior notice in each instance, which notice may be given by fax, Attn: Elliot Rackman; provided Landlord shall use commercially reasonable efforts to comply with such request on less than twenty four (24) hours prior notice. In such event, Landlord shall make available a freight elevator operator to Tenant at the Building, and Tenant shall pay to Landlord, as Additional Rent within twelve (12) days of demand, the Building charges for such freight service at the rate of $75.00 per hour or portion thereof (with a four (4) hour minimum for overtime weekend use), plus sales tax, if applicable, subject to future increases, which increases shall be based on a "Consumer Price Index" increase. Notwithstanding the foregoing, upon at least twenty four (24) hours prior notice, Landlord shall furnish over time freight elevator service to Tenant without charge in connection with the performance by Tenant in the Premises of Alterations (as defined in Article 8.01) requiring the issuance of a building permit. Landlord shall provide Tenant with keys to the freight elevator, at no additional charge to Tenant, for Tenant's use in operating the freight elevators only: (i) on 'Saturdays during Freight Hours, (ii) if Landlord fails to provide a freight elevator operator during Freight Hours, Monday through Friday, as required by the provisions of this Article, or (iii) in the event of an emergency and no Building freight operator is at the Building. Any damage done to the Building or Premises by Tenant, its employees, agents, servants, invitees, representatives and/or contractors in the course of moving any Freight Items shall be paid by Tenant as Additional Rent within thirty (30) days after demand. Tenant hereby indemnifies and agrees to defend and hold Landlord, its members, partners, directors, officers, employees, representatives, servants and invitees, harmless from and against any and all claims, demands, suits, actions, proceedings, awards, judgments, orders, damages, fines, penalties, costs, fees, expenses, and liabilities whatsoever, arising out of the acts or omissions of Tenant, its

members, partners, directors, officers, employees, representatives and servants in connection with Tenant's use of the freight elevators.

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IN WITNESS WHEREOF, the said Landlord, and the Tenant have dul y executed this Lease as of the day and year first above written.

240 WEST 40™ LLC

By. _____
Name:
Title:

WITNESS:

_____
Name:
Title:

THE DONNA KARAN COMPANY LLC

By: /s/ Patricia Kalberer
Name: Patricia Kalberer
Title: Chief Financial Officer

WITNESS:

/s/ Susan Wagner
Name: Susan Wagner
Title:

ARTICLE 61

RULES AND REGULATIONS
MADE A PART OF TIDS LEASE

1. No animals, birds, bicycles or vehicles shall be brought into or kept in the Premises. The Premises shall not be used for manufacturing or commercial repairing or for sale of merchandise to the public or as a lodging place, or for any immoral or illegal purpose, nor shall the Premises be used for a public stenographer or typist; barber or beauty shop; telephone, secretarial or messenger service; employment, travel or tourist agency; school or classroom; commercial document reproduction except in connection with Tenant's business; or for any business other than specifically provided for in the Tenant's lease. Tenant shall not cause or permit in the Premises any disturbing noises which may interfere with occupants of this or neighboring Buildings, any cooking (except microwave) or objectionable odors, or any nuisance of any kind, or any inflammable or explosive fluid, chemical or substance. Canvassing, soliciting and peddling in the Building are prohibited, and each tenant shall cooperate so as to prevent the same.

2. The toilet rooms and other water apparatus shall not be used for any purposes other than those for which they were constructed, and no sweepings, rags, ink, chemicals or other unsuitable substances shall be thrown therein. Tenant shall not place anything out of doors, windows or skylights, or into hallways, stairways or elevators, nor place food or objects on outside window sills. Tenant shall not obstruct or cover the halls, stairways and elevators, or use them for any purpose other than ingress and egress to or from Tenant's Premises or as otherwise provided in this Lease, nor shall skylights, windows, doors and transoms that reflect or admit light into the Building be covered or obstructed in any way. All drapes and blinds installed by Tenant on any exterior window of the Premises shall conform in style and color to the Building standard.

3. Tenant shall not place a load upon any floor of the Premises in excess of the load per square foot which such floor was designed to carry and which is allowed by law. Landlord reserves the right *to* prescribe the weight and position of all safes, file cabinets and filing equipment in the Premises. Business machines (except desk top computers, fax machines and other ordinary office machines) and mechanical equipment shall be placed and maintained by Tenant, at Tenant's expense, only with Landlord's consent and in settings approved by Landlord to control weight, vibration, noise and annoyance. Smoking or carrying lighted cigars, pipes or cigarettes in the elevators of the Building is prohibited.

4. Tenant shall not move any heavy or bulky materials into or out of the Building or make or receive large deliveries of goods, furnishings, equipment or other items, except in compliance with all applicable laws, ordinances, directions, rules and regulations of governmental authorities having jurisdiction. If any material or equipment requires special handling, Tenant shall employ only persons holding a Master Rigger's License to do such work, and all such work shall comply with all legal requirements. Landlord reserves the: right to inspect all freight to be brought into the Building, and to exclude any freight which violates any rule, regulation or other provision of this Lease.

5. No sign, advertisement, notice or thing shall be inscribed, painted or affixed on any part of the Building visible from outside the Building or from common areas shared with uU1er tenants of the Building, without the prior written consent of Landlord, subject to the terms of the Lease. Landlord may remove anything installed in violation of this provision, and Tenant shall pay the cost of such removal and any restoration costs. Interior signs on doors and directories shall be inscribed or affixed by Landlord at Tenant's expense. Landlord shall have the right to approve the color, size, style and location of all signs, advertisements and notices visible to the public from the lobby or from outside the Building. No advertising of any kind by Tenant shall refer to the Building, unless first approved in writing by Landlord.

6. Intentionally Omitted.

7. No existing entry door locks shall be changed, nor shall any additional locks or bolts of any kind be placed upon any door or window by Tenant, without the prior written consent of Landlord. Two (2) sets of keys to all exterior and interior locks shall be furnished to Landlord . At the termination of this Lease, Tenant shall deliver to Landlord all keys for any portion of the Premises or Building. Before leaving the Premises at any time, Tenant shall close all windows and close and lock all doors.

8. No Tenant shall purchase or obtain for use in the Premises any towels, bootblacking, barbering or other such service furnished by any company or person not reasonably approved by Landlord. Any necessary exterminating work in the Premises shall be done at Tenant's expense, at such times, in such manner and by such company as Landlord shall reasonably require. In the event that Tenant or anyone claiming through Tenant no longer occupies the entire rentable portion of the Building, Landlord reserves the right to exclude from the Building, from 6:00p.m. to
8:00 am., and at all hours on Sunday and legal holidays, all persons who do not present a pass to the Building signed by Landlord. Tenant shall be responsible for the acts of all persons to whom passes are issued at Tenant's request.

9. Whenever Tenant shall submit to Landlord any plan, agreement or other document for Landlord's consent or approval, Tenant agrees to pay Landlord as Additional Rent, within fourteen (14) days after demand, the reasonable out-of-pocket third party fees of any architect, engineer or attorney employed by Landlord to review said plan, agreement or document.

10. The use in the Premises of auxiliary beating devices, such as portable electric heaters, heat lamps or other devices whose principal function at the time of operation is to produce space heating, is prohibited.

11. Tenant shall keep all doors from the hallway to the Premises closed at all times except for use during ingress to and egress from the Premises. Tenant acknowledges that a violation of the terms of this paragraph may also constitute a violation of codes, rules or regulations of governmental authorities having or asserting jurisdiction over the Premises, and Tenant agrees to indemnify Landlord from any fines, penalties, claims, action or increase in fire insurance rates which might result from Tenant's violation of the terms of this paragraph.

12. Intentionally Omitted.

13. Tenant will be entitled to its pro rata share of listings on the Building lobby directory board, without charge. Any additional directory listing (if space is available), or any change in a prior listing, with the exception of a deletion, will be subject to a fourteen ($14.00) dollar service charge, payable as Additional Rent.

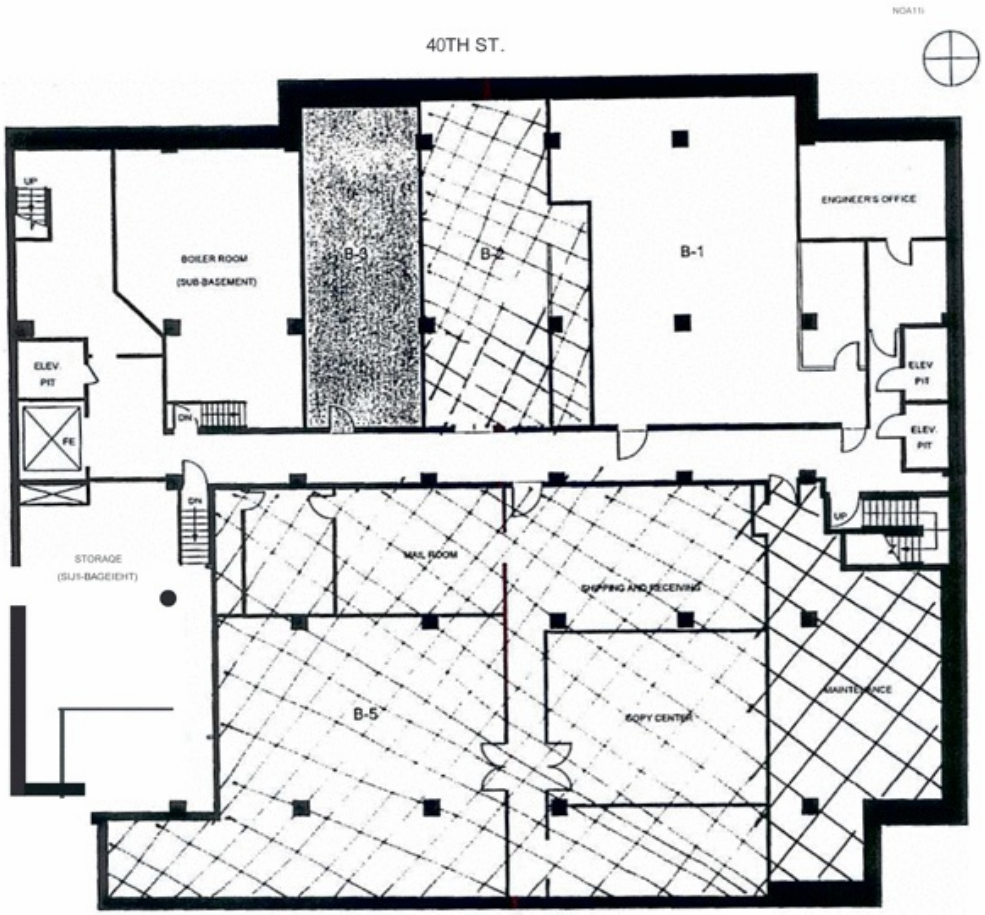
14. In case of any conflict or inconsistency between any provisions of this Lease and any of the rules and regulations as originally or as hereafter adopted, the provisions of this Lease shall control.

Exhibit A-1

PLAN DELINEATING THE EXISTING PREMISES

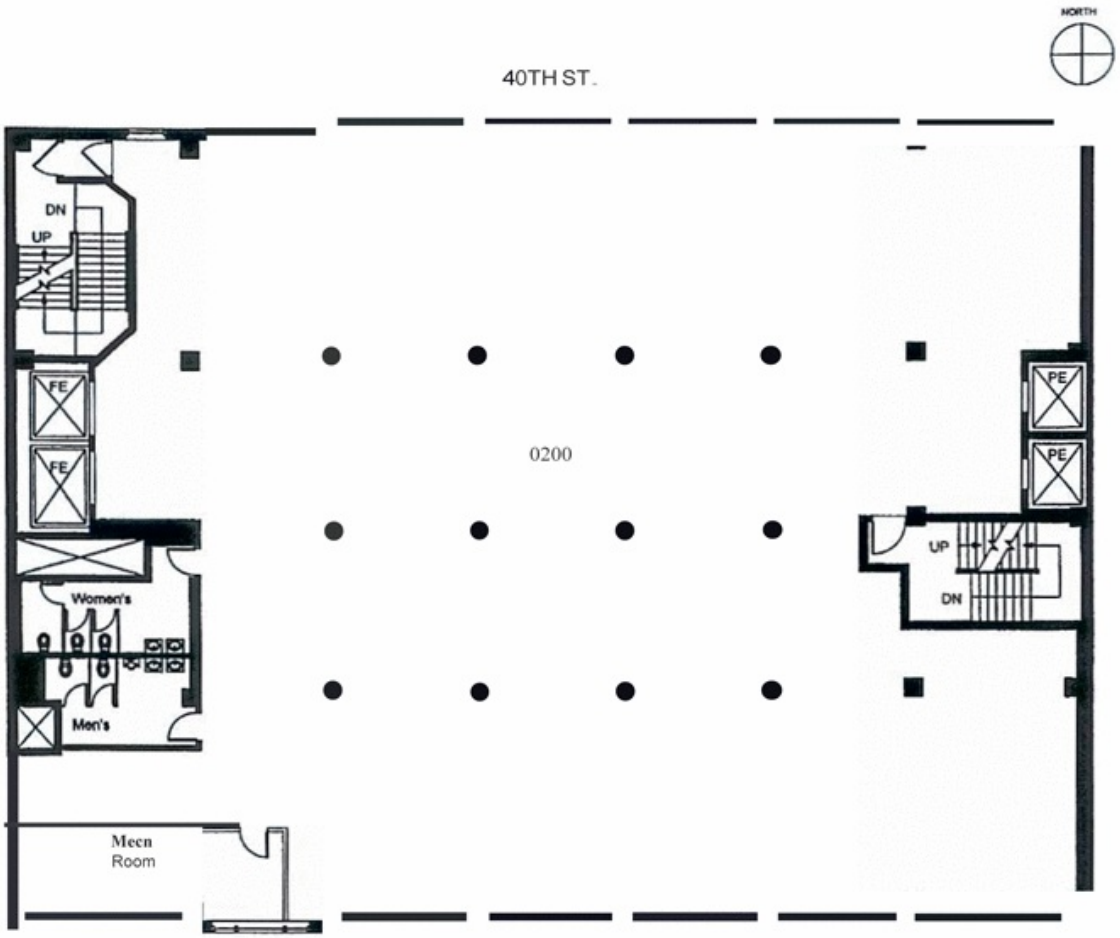
See attached. (The location and dimensions of walls, partitions, columns, stairs and openings are approximate and subject to revisions due to mechanical work, job conditions, and requirements of governmental departments and authorities. If the space as actually partitioned shall differ in any de minimis respect from this sketch, the actual area as partitioned shall in all events control. No such resulting deviation or discrepancy shall affect the rent or Tenant's obligations under this Lease).

240 West 40th Street - Basement Exhibit A-1



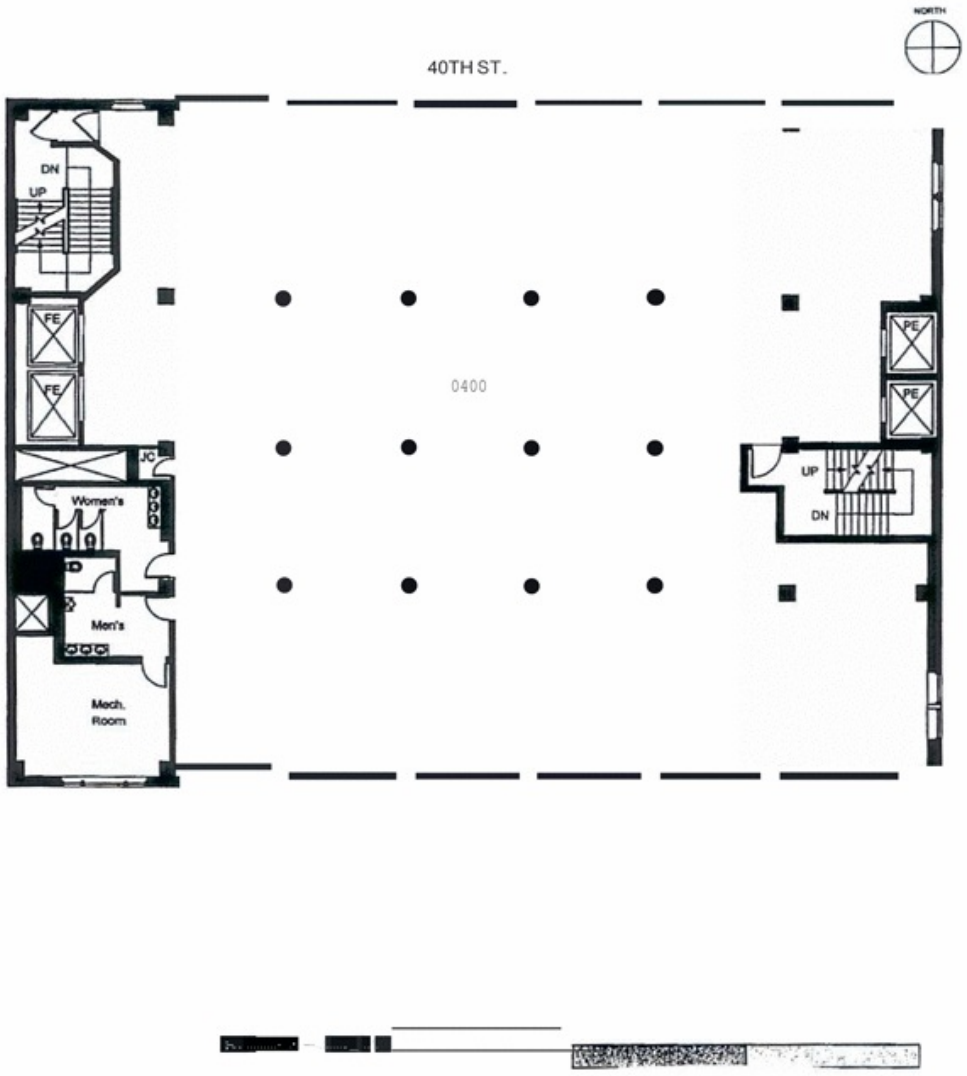
Wednesday, August 02,2006 (16).max

240 West 40th Street- Floor 02 : Exhibit A-1



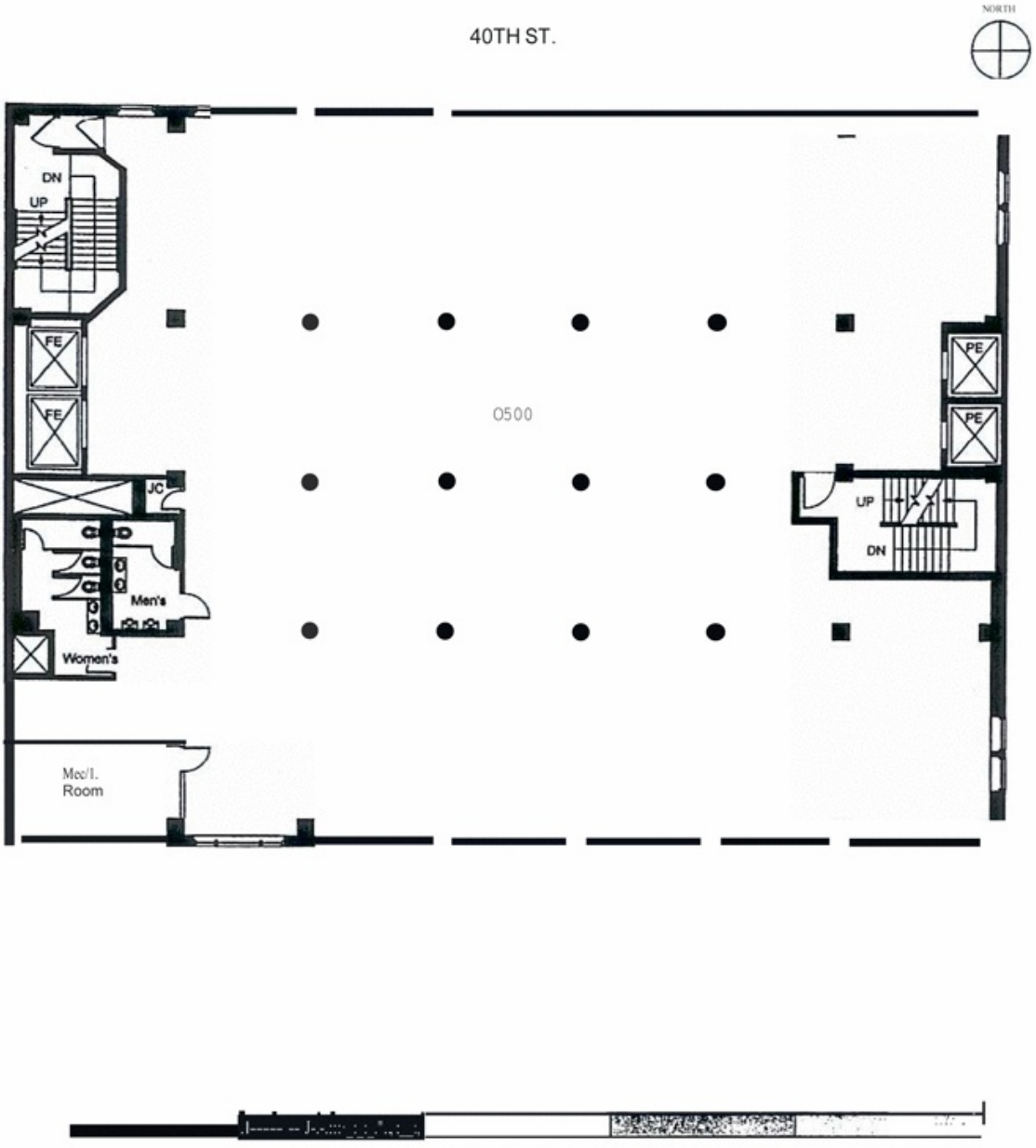
Wednesday, August 02,2006 (16).max

240 West 40th Street - Floor 04 Exhibit A-1



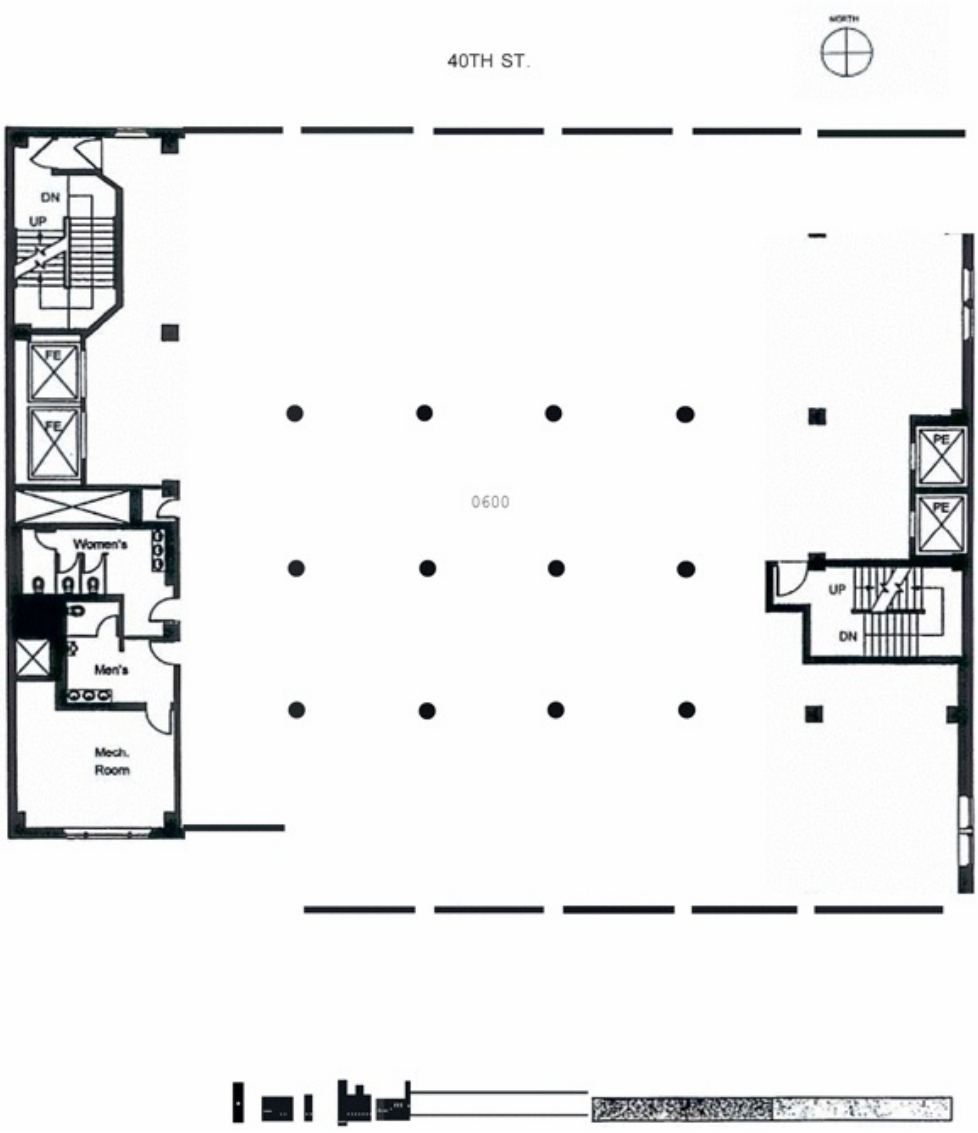
Wednesday, August 02,2006 (16).max

240 West 40th Street - Floor 05 : Exhibit A-1



Wednesday, August 02,2006 (16).max

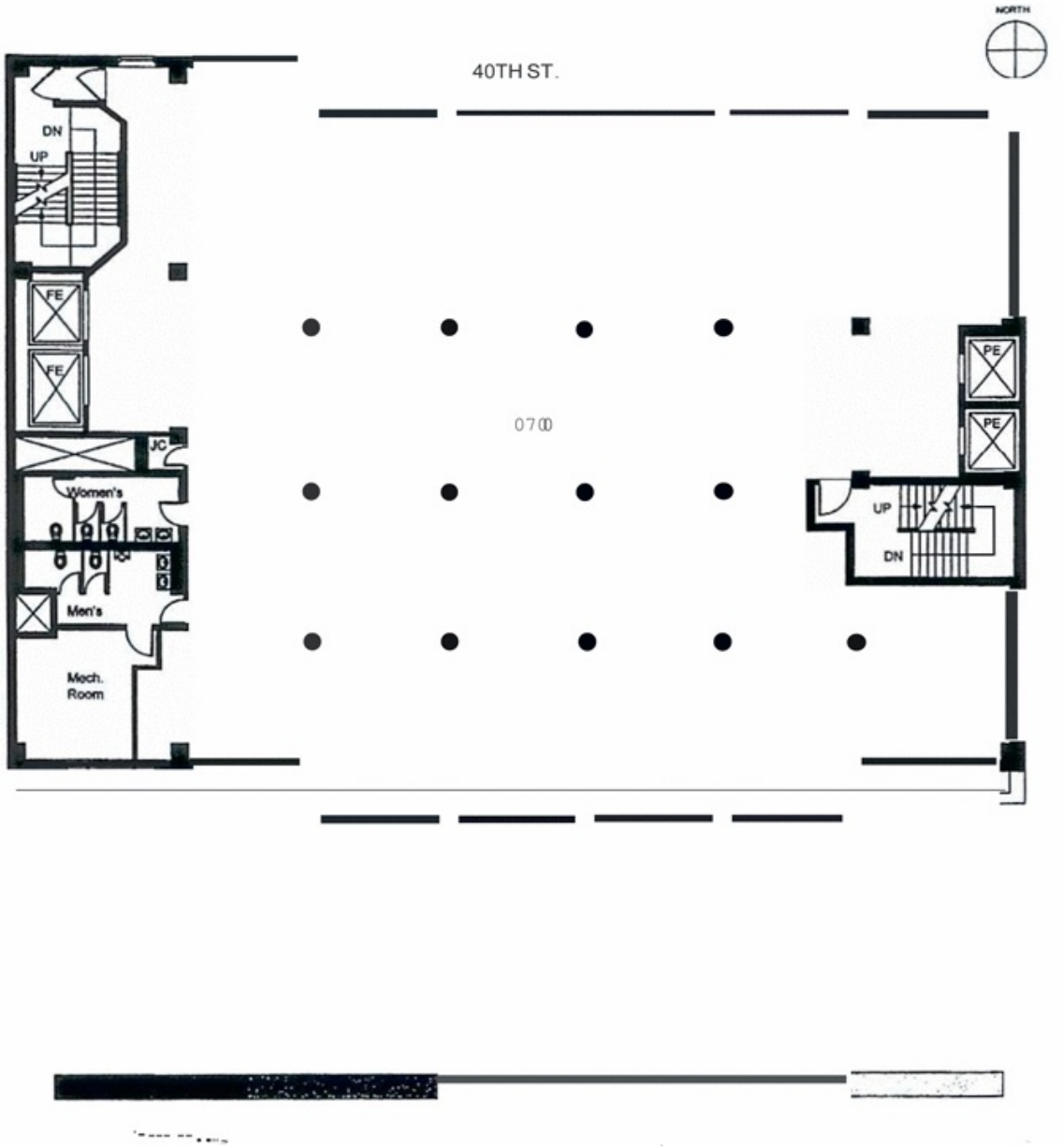
240 West 40th Street- Floor 06 : Exhibit A-1



Wednesday, August 02,2006 (16).max

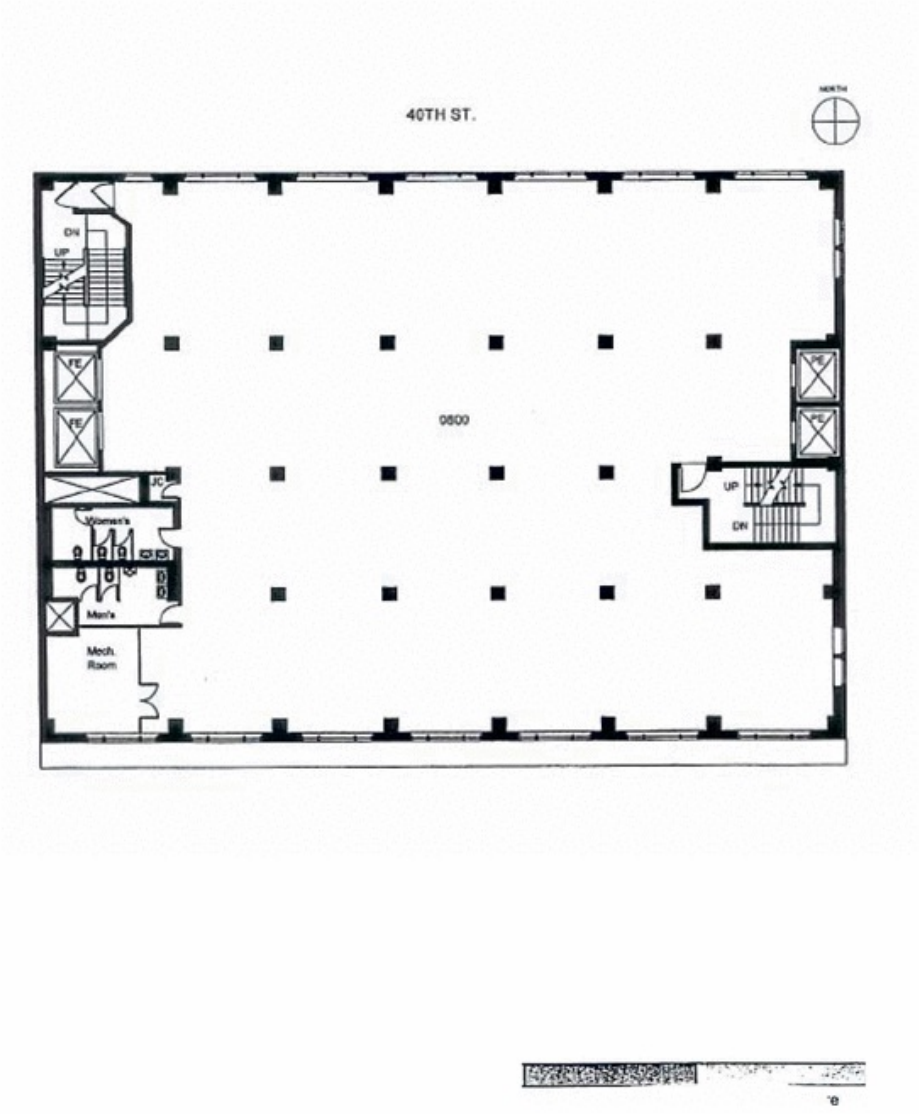
Exhibit A-1

240 West 40th Street - Floor 07 :



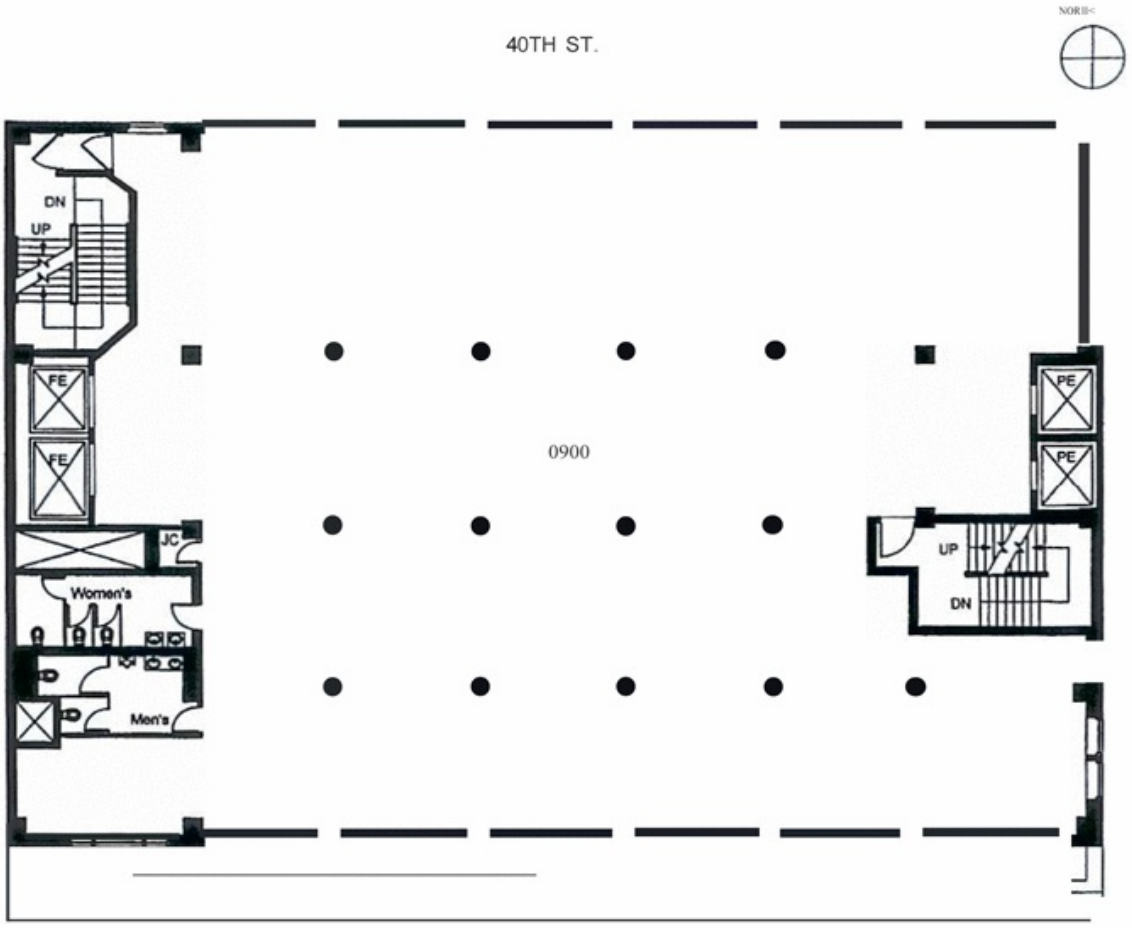
Wednesday, August 02,2006 (16).max

240 West 40th Street - Floor 08 : Exhibit A-1



Wednesday, August 02,2006 (16).max

240 West 40th Street - Floor 09 : Exhibit A-1

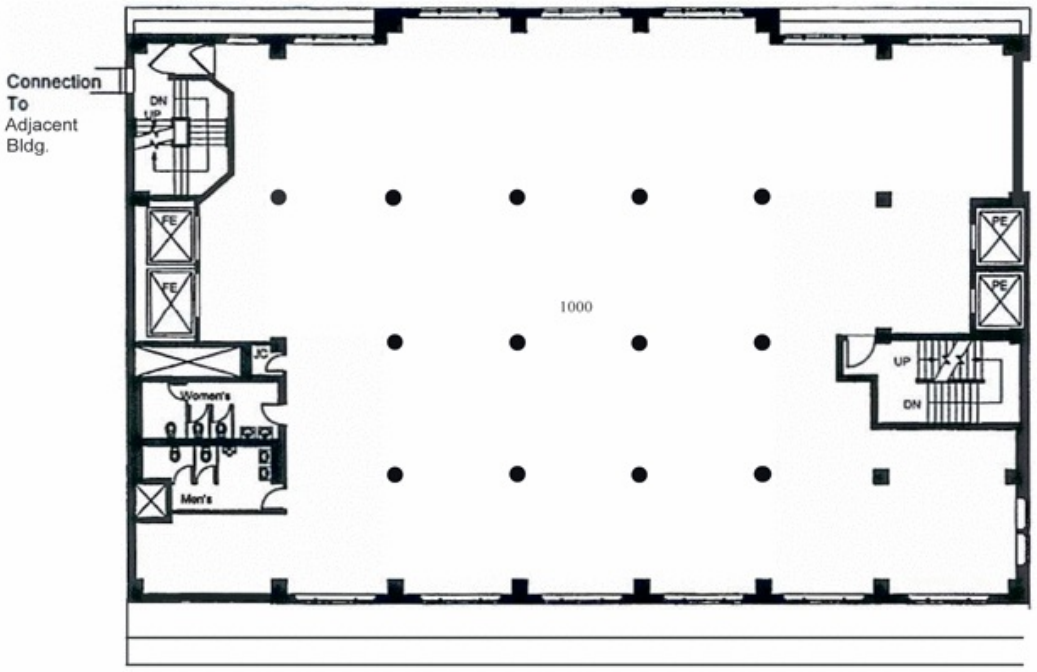


Wednesday, August 02,2006 (16).max

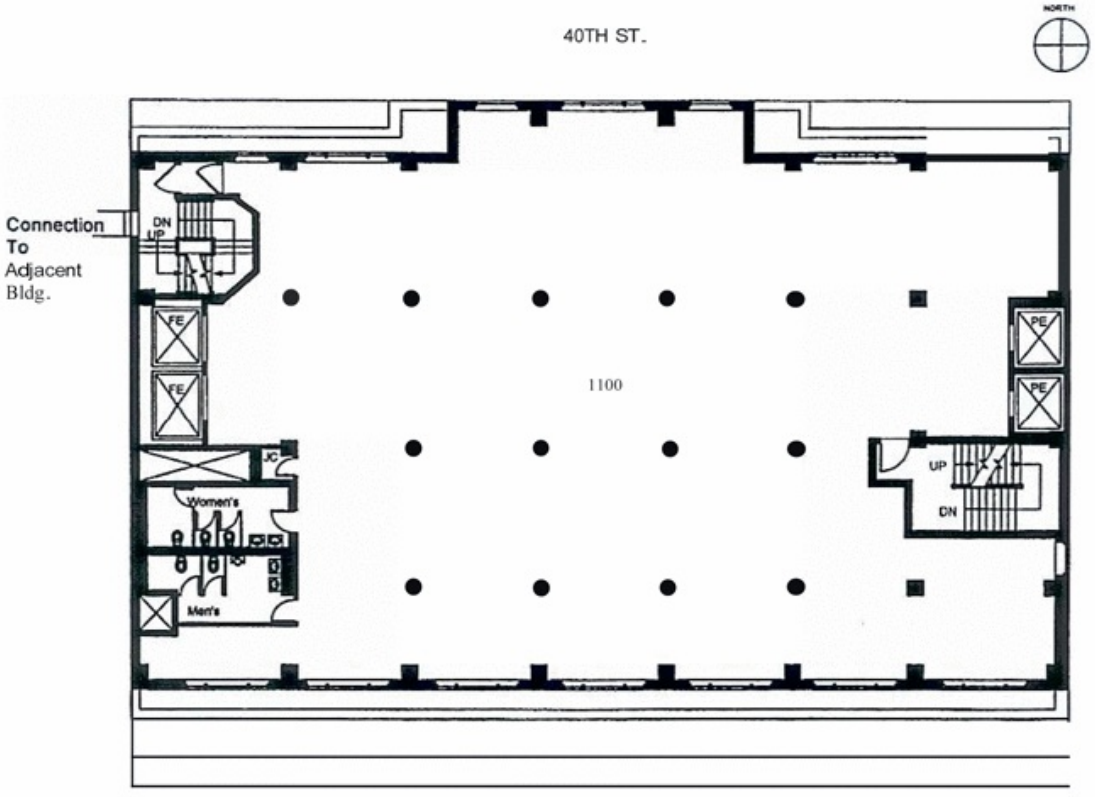
240 West 40th Street - Floor 10

Exhibit A-1

40TH ST.

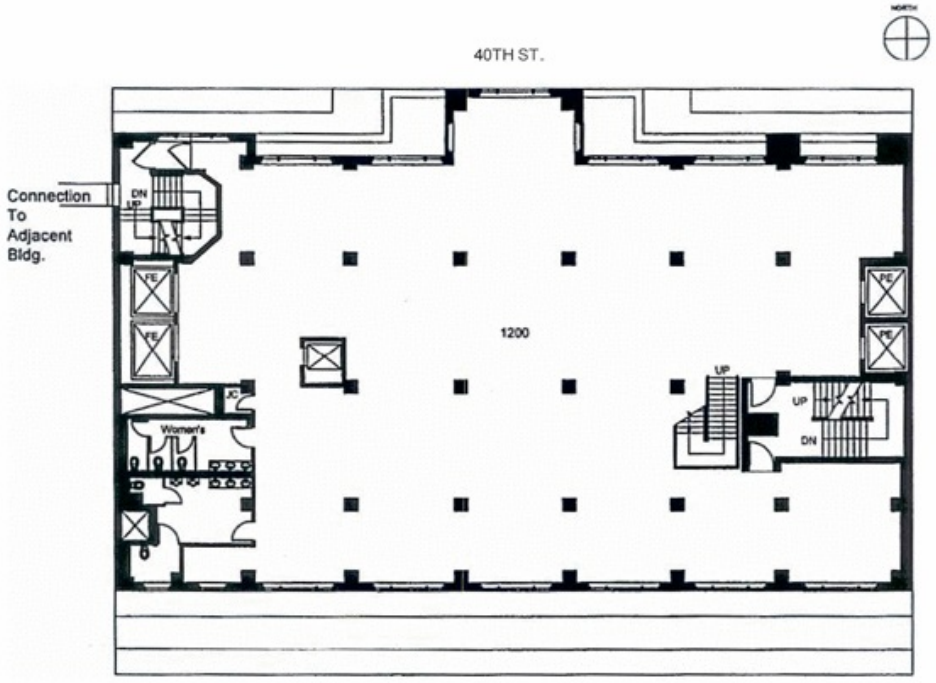


240 West 40th Street - Floor 11 Exhibit A-1



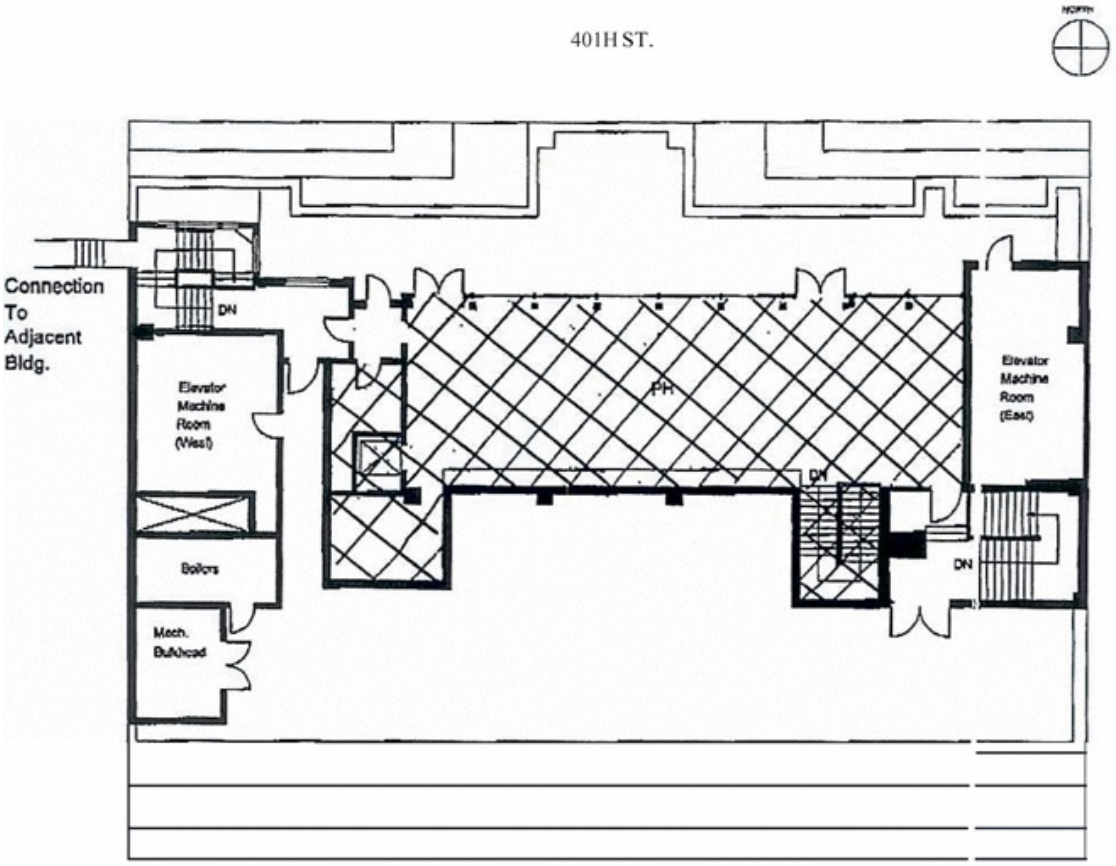
Wednesday, August 02,2006 (16).max

240 West 40th Street - Floor 12 : Exhibit A-1



Wednesday, August 02,2006 (16).max

240 West 40th Street - Penthouse : Exhibit A-1

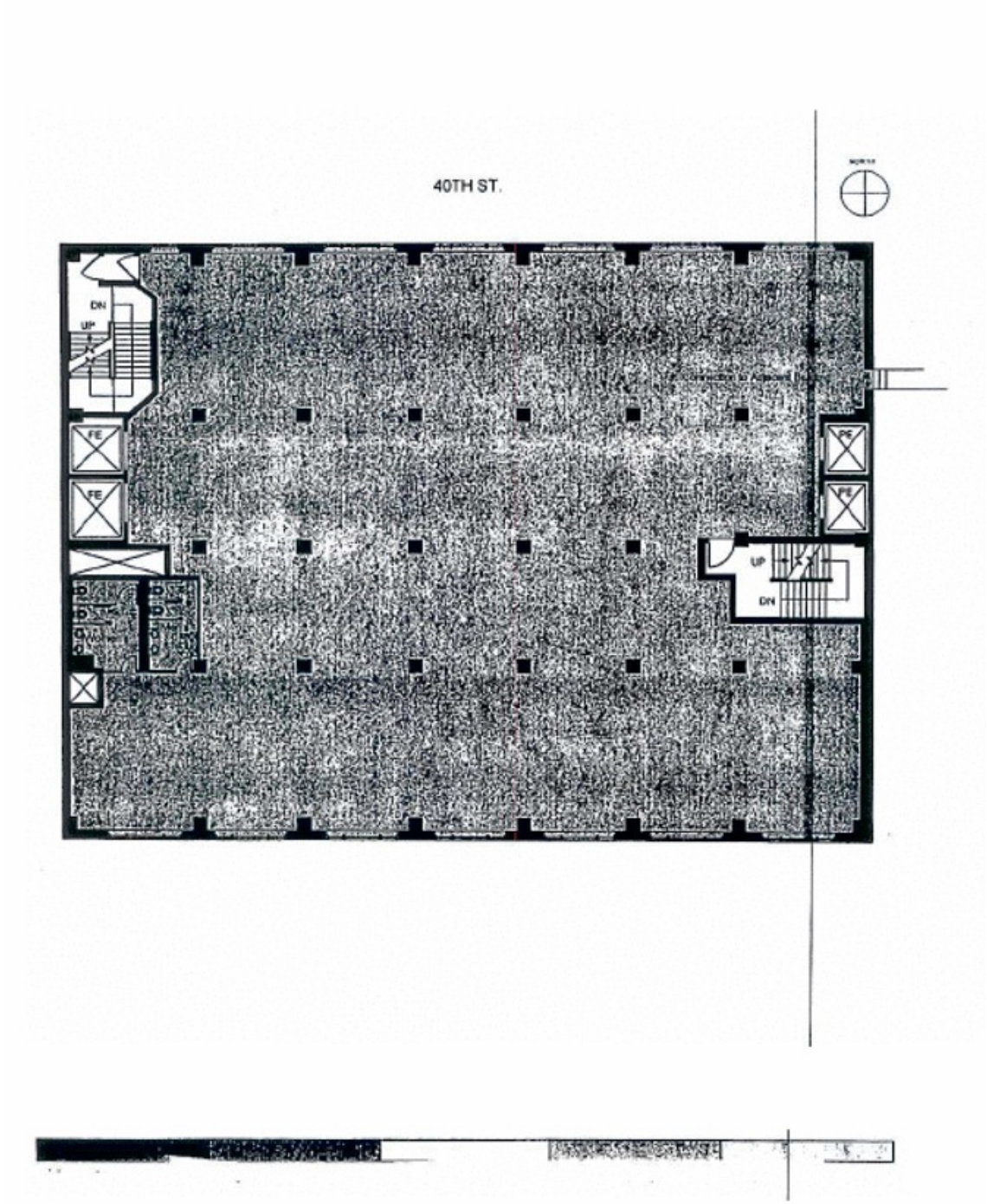


Wednesday, August 02,2006 (16).max

Exhibit A-2

PLAN DELINEATING THE 3rd FLOOR PREMISES

See attached. (The location and dimensions of walls, partitions, columns, stairs and openings are approximate and subject to revisions due to mechanical work, job conditions, and requirements of governmental departments and authorities. If the space as actually partitioned shall differ in any de minimis respect from this sketch, the actual area as partitioned shall in all events control. No such resulting deviation or discrepancy shall affect the rent or Tenant's obligations under this Lease).



Wednesday, August 02,2006 (7).max

Exhibit B-1

(Memorandum of Lease)

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE is made as of the ____ day of _____, 2006 by and between **240 WEST 40TH LLC,** a New York limited liability company with an address of c/o Sitt Asset Management LLC, P.O. Box 2300, New York, NY 10116 ("Landlord") and **THE DONNA KARAN COMPANY LLC,** a New York limited liability company having an address at 240 West 40th Street, New York, NY 10018 ("Tenant").

PRELIMINARY RECITALS:

A. Landlord and Tenant have entered into a certain lease of even date herewith (the "Lease").

B. Landlord and Tenant have agreed to enter into this Memorandum of Lease for purposes of giving notice of said Lease and certain of its terms, covenants and conditions.

AGREEMENTS:

1. Demised Premises. Pursuant to the Lease, Landlord has leased and demised to Tenant the entire rentable portion of the basement, second through twelfth floors and penthouse (the "Premises") in the building located at 240 West 40th Street, New York, NY (the "Building"),

2. Property. The land upon which the Building is located is more particularly described in Exhibit A attached hereto:

3. Term. The term of the Lease for all but the 3rd Floor Premises shall commence on August 1, 2006 (the ***"Commencement Date")*** and shall expire (unless sooner terminated or extended as set forth in the Lease) on July 31, 2016 (the "Expiration Date").

4. Extension of Term. The original term of the Lease may be extended, for one period of five (5) years. The renewal option must be exercised by Tenant one hundred eighty (180) days prior to the Expiration Date and is subject to the terms and conditions of the Lease.

5. Retail Restrictions. Articles 44 and 51 of the Lease contains certain provisions restricting the permitted use of retail tenants and signage relating to the ground floor retail tenants of the Building.

6. Right of First Offer. Pursuant to Article 53 of the Lease, if, during the term of the Lease, Landlord shall desire to sell the Building, then Landlord shall first offer same to Tenant, subject to and in accordance with the terms of the Lease.

7. Miscellaneous. This Memorandum of Lease has been executed for recording purposes only, and shall not be deemed to amend, supplement or interpret the Lease or any of the terms, provisions, covenants or conditions thereof. In the event of any conflict between the provisions of this Memorandum of Lease and the provisions of the Lease, the provisions of the Lease shall prevail.

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Lease as a sealed instrument as of the date and year first above set forth.

LANDLORD:

240 WEST 40TH LLC

By: _____
Name:
Title

TENANT:

THE DONNA KARAN COMPANY LLC

By: _____

Title:

STATE OF NEWYORK)
)
SS.: COUNTY OF NEW YORK)

On the ____ day of _____, 2006, before me personally appeared _____, who, being by me duly sworn, did depose and say that he/she resides at _____; that he/she is the _____of 240 West 40th LLC, a New York limited liability company described in and which executed the above instrument; and the said _____ acknowledged the foregoing instrument to be his/her free act and deed in such capacity and the free act and deed of said limited liability company.

Notary Public
My commission expires:

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

On the _____ day of _____, 2006, before me personally appeared _____to me known, who, being by me duly sworn, did depose and say that he/she resides at _____: that he/she is the_____ __of The Donna Karan Company, the New York limited liability company described in and which executed the above instrument; and the said _____ acknowledged the foregoing instrument to be the free act and deed of said company.

Notary Public
My commission expires:

EXHIBIT A
LEGAL DESCRIPTION

Exhibit B-2

(discharge of memorandum of lease)

DISCHARGE OF MEMORANDUM OF LEASE

This DISCHARGE OF MEMORANDUM OF LEASE, made and executed as of the _____ day of _____ 2006, by and between 240 WEST 40TH LLC having an office c/o Sitt Asset Management LLC, P.O. Box 2300, New York, New York 10116-2300, hereinafter referred to as " Landlord", and THE DONNA KARAN COMPANY LLC, a New York limited liability company, having an office at 240 West 40 th Street, New York, New York, Attn: Chief Financial Officer, hereinafter referred to as "Tenant".

WHEREAS, Landlord and Tenant have entered into a certain written Lease, dated as of August _____, 2006 (the "Lease"), whereby Landlord leased to Tenant and Tenant hired from Landlord that certain premises more particularly described on Exhibit A-1 and Exhibit A-2 annexed hereto and made a part hereof.

WHEREAS, the parties executed a certain Memorandum of Lease dated as of August _____, 2006 with respect to the Lease, which Memorandum was recorded on _____, 2006 in the Office of the Clerk of Manhattan County, New York in Deed Book_____ at page _____ et seq.; and

WHEREAS, all rights of Tenant under the Lease have terminated, and the parties now desire to cancel and discharge of record the said Memorandum of Lease.

NOW THEREFORE, the Clerk of Manhattan County, New York is hereby authorized and directed to cancel and discharge of record the said Memorandum of Lease.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

IN WITNESS WHEREOF, Landlord and Tenant have executed this Discharge of Memorandum of Lease as of the date hereof.

240 WEST40TH LLC

By: _____

Name
Title

THE DONNA KARAN COMPANY LLC

By: _____
Name:
Title:

State of New York)
):ss
County of)

On the __ day of _____ in the year 2006, before me, the undersigned, a Notary Public in and for said state, personally appeared _____ personally known to me or proved to me on the basis or satisfactory evidence to be the person(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

_____
Notary Public

State of New York)
):ss
County of)

On the __ day of _____in the year 2006, before me, the undersigned, a Notary Public in and for said state, personally appeared _____ personally known to me or proved to me on the basis or satisfactory evidence to be the person(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

_____
Notary Public

EXHIBIT C-1

FIXED ANNUAL RENT SCHEDULE

Tenant shall pay Fixed Annual Rent for the Existing Premises at the following rates per annum:

DATES	FIXED ANNUAL RENT	MONTHLY INSTALLMENT
From the Commencement Date through and including July 31, 2009	$ 4,581,500.00	$ 381,791.67
From August 1, 2009 through and including July 31, 2112	$ 5,055,358.00	$ 421,279.83
From August 1, 2112 through and including July 31, 2115	$ 5,186,258.00	$ 432,188.17
From August 1, 2115 through and including the Expiration Date	$ 5,204,584.00	$ 433,715.33

EXHIBIT C-2

FIXED ANNUAL RENT SCHEDULE

Tenant shall pay Fixed Annual Rent for the 3rd Floor Premises at the following rates per annum:

DATES	FIXED ANNUAL RENT	MONTHLY INSTALLMENT
From the 3rd Floor Commencement Date through and including the Expiration Date.	$ 419,250.00	$ 34,937.50

Exhibit D

(SNDA Agreement)

EXHIBIT E

LANDLORD'S WORK

- Obtain and furnish Tenant with an ACP-5 Certificate for the Premises based upon the configuration of the Premises as of the Commencement Date.

EXHIBIT F

FORM STANDBY LEITER OF CREDIT

AUGUST 4, 2006

IF THIS LANGUAGE FOR THB STANDBY LETTER OF CREDIT IS TO BB USBD THBN THB OBLIGOR/APPLICANT MUST SIGNIFY THBIR APPROVAL BY SIGNING-OFF ON THIS EXHIBIT.

APPROVED AS ISSUED

COMPANY: _____

By: X _____

AUTHORIZED SIGNATURE OF OBLIGOR/APPLICANT *DATE*

BENEFICIARY:
240 WEST 401l1 LLC (LANDLORD)
C/O SITT ASSET MANAGEMENT LLC
P.0. BOX 2300
NEW YORK, NY 10116-2300

LETTER OF CREDIT NO. XXXXXXXX

GENTLEMEN:

BY ORDER OF OUR CLIENT, THE DONNA KARAN COMPANY, LLC, 550 7TH AVENUE, NEW YORK, NY 10017, WE HEREBY ESTABLISH OUR IRREVOCABLE, UNCONDITIONAL STANDBY LETTER OF CREDIT NO. XXXXXXX IN YOUR FAVOR FOR AN AMOUNT NOT TO EXCEED IN AGGREGATE USD $1,250,000.00 (ONE MILLION TWO HUNDRED FIFTY THOUSAND AND 00/100 U.S. DOLLARS) EFFECTIVE IMMEDIATELY AND EXPIRING AT OUR OFFICE LOCATED AT CITIBANK N.A. C/0 ITS SERVICER CITICORP NORTII AMERICA INC., 3800 CITIBANK CENTER, BUILDING B, 3RD FLOOR, TAMPA, FL 33610, ATTN: U.S. STANDBY DEPT. WITH THE CLOSE OF BUSINESS ON JULY 31,2007.

FUNDS HEREUNDER ARE AVAILABLE TO YOU OR YOUR TRANSFEREE AGAINST PRESENTATION OF YOUR SIGHT DRAFT(S), DRAWN ON US, MENTIONING THEREON THIS LETTER OF CREDIT NO. XX:XX:XXXX, WHICH MAY BE EXECUTED ON YOUR BEHALF BY YOUR AGENT OR ON BEHALF OF YOUR TRANSFEREE(S) BY ITS AGENT(S), WITHOUT PRESENTATION OF ANY OTHER DOCUMENTS, STATEMENTS OR AUTHORIZATIONS.

IN ADDITION, PRESENTATION OF SUCH DRAFT AND CERTIFICATE MAY ALSO BE MADE BY FAX TRANSMISSION TO FAX NO. 813-604-7187 OR SUCH OTHER FAX NUMBER IDENTIFIED BY CITIBANK IN A WRITTEN NOTICE TO YOU. TO TIIE EXTENT A PRESENTATION IS MADE BY FAX TRANSMISSION, YOU MUST (I) PROVIDE TELEPHONE NOTIFICATION THEREOF TO CITIBANK (PHONE NO.813-604-7101) PRIOR TO ORSIMULTANEOUSLYWITHTHESENDING OF SUCH FAX TRANSMISSION AND (II) SEND THE ORIGINAL OF SUCH DRAFT AND CERTIFICATE TO CITIBANK BY OVERNIGHT COURIER, AT THE ADDRESS PROVIDED ABOVE FOR PRESENTATION OF DOCUMENTS, PROVIDED HOWEVER, THAT CITIBANK'S RECEIPT OF SUCH TELEPHONE NOTICE OR ORIGINAL DOCUMENTS SHALL NOT BE A CONDITION TO PAYMENT HEREUNDER.

THIS LETTER OF CREDIT SHALL BE DEEMED AUTOMATICALLY EXTENDED, WITHOUT AMENDMENT, FOR ADDITIONAL PERIOD(S) OF ONE (1) YEARS FROM THE CURRENT EXPIRATION DATE HEREOF AND EACH SUCCESSIVE EXPIRATION DATE, THE LAST RENEWAL OF WHICH SHALL BE FOR A TERM SET TO EXPIRE NOT EARLIER THAN (90 days after expiration of lease please fill this date in), UNLESS WE NOTIFY YOU AT LEAST SIXTY (60) DAYS PRIOR TO THEN APPLICABLE EXPIRATION DATE HEREOF THAT WE ELECT TO CONSIDER THIS LETTER OF CREDIT RENEWED

FOR SUCH ADDITIONAL PERIOD(S). IN ORDER TO BE EFFECTIVE, ANY SUCH NOTICE OF NON-RENEWAL MUST BE SENT BY REGISTERED MAIL (RETIJRN RECEIPT REQUESTED) TO YOU AT THE ABOVE ADDRESS (OR TO SUCH OTHER ADDRESS AS YOU OR YOUR TRANSFEREE(S) SHALL DESIGNATE IN WRITING).

IT IS CONDITION OF THIS LETTER OF CREDIT THAT IT IS TRANSFERABLE AND MAY BE TRANSFERRED IN ITS ENTIRETY, BUT NOT IN PART, AND MAY BE SUCCESSIVELY TRANSFERRED BY YOU OR ANY TRANSFEREE HEREUNDER TO A SUCCESSOR TRANSFEREE(S). TRANSFER UNDER THIS LETTER OF CREDIT TO SUCH TRANSFEREE SHALL BE EFFECTED UPON PRESENTATION TO US OF THE ORIGINAL OF THIS LETTER OF CREDIT AND ANY AMENDMENTS HERETO ACCOMPANTED BY A REQUEST DESIGNATING THE TRANSFEREE IN THE FORM OF ANNEX A, ATTACHED HERETO, APPROPRIATELY COMPLETED, ALONG WITH THE PAYMENT OF OUR TRANSFER FEE OF ¼ OF 1% (MIN1MUM $200.00) ON THE OUTSTANDING AMOUNT OF LETTER OF CREDIT, WHICH SHALL BE PAID BY THE BENEFICIARY.

WE HEREBY ENGAGE WITH YOU TO HONOR YOUR DOCUMENT(S) AS SPECIFIED ABOVE, DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF THIS STANDBY, IF PRESENTED AS SPECIFIED HEREIN ON OR BEFORE THE STATED EXPIRIATION DATE.

EXCEPT AS FAR AS OTHERWISE EXPRESSLY STATED HEREIN, THIS STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY LETTERS OF CREDIT, INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO.500, AND AS TO MATTERS NOT GOVERNED BY THE UCP 500, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE U.S. FEDERAL LAW

Annex A
Request for Full Transfer
Relinquishing all Rights as Beneficiary

(This form is to be used when the Letter of Credit is to be Transferred in its entirety and , no substitution of invoices is involved and, no rights are to be retained by the undersigned Beneficiary.)

Citicorp North America Inc., Date:
As Servicer for Citibank, N.A.
3800 Citibank Center, Bldg.B, 3rd Fl.
Tampa, FL 33610

Re: L/C No.

Issued by: CITIBANK, N.A.

Gentlemen:

Receipt is acknowledged of the original instrument which you forwarded to us relative to the issuance of a Letter of Credit (herein called the "Credit") bearing your reference number as above in favor of ourselves and/or Transferees and we hereby request you to transfer the said Letter of Credit, in its entirety, to:

whose address is

(Optional) Please advise Beneficiary through the below indicated Advising Bank:

We are returning the original instrument to you herewith in order that you may deliver it to the Transferees together with your customary letter of transfer.

It is understood that any amendments to the Letter of Credit which you may receive are to be advised by you directly to the Transferees and that the drafts and documents of the Transferees, if issued in accordance with the conditions of the Letter of Credit, are to be forwarded by you directly to the party for whose account the credit was opened (or any intermediary) without our intervention.

(continued on page 2)

Citibank, N.A. reference_____

We understand that the Transfer charge is 1/4 of 1% on the amount being transferred (minimum $200.00) and in addition thereto we agree to pay to you on demand any expenses that may be incurred by you in connection with this transfer.

___ We enclose our check for $ _____to cover your charges.
(Note : Payment of charges must be in the form of a certified check if not drawn on *Citibank, N.A.)*

_ We authorize you to charge our *Citibank N.A.* account No. _____

SIGNATURE GUARANTEED

The First Beneficiary's signature(s) with title(s) conforms with that on me with us and such is/are authorized for the execution of this instrument.

(Name of Bank)

(Bank Address)

(City, State, Zip Code)

(Telephone Number)

(Authorized Name and Title)

(Authorized Signature)

Sincerely yours,

(Name of First Beneficiary)

(Telephone Number)

(Authorized Name and Title)

(Authorized Signature)

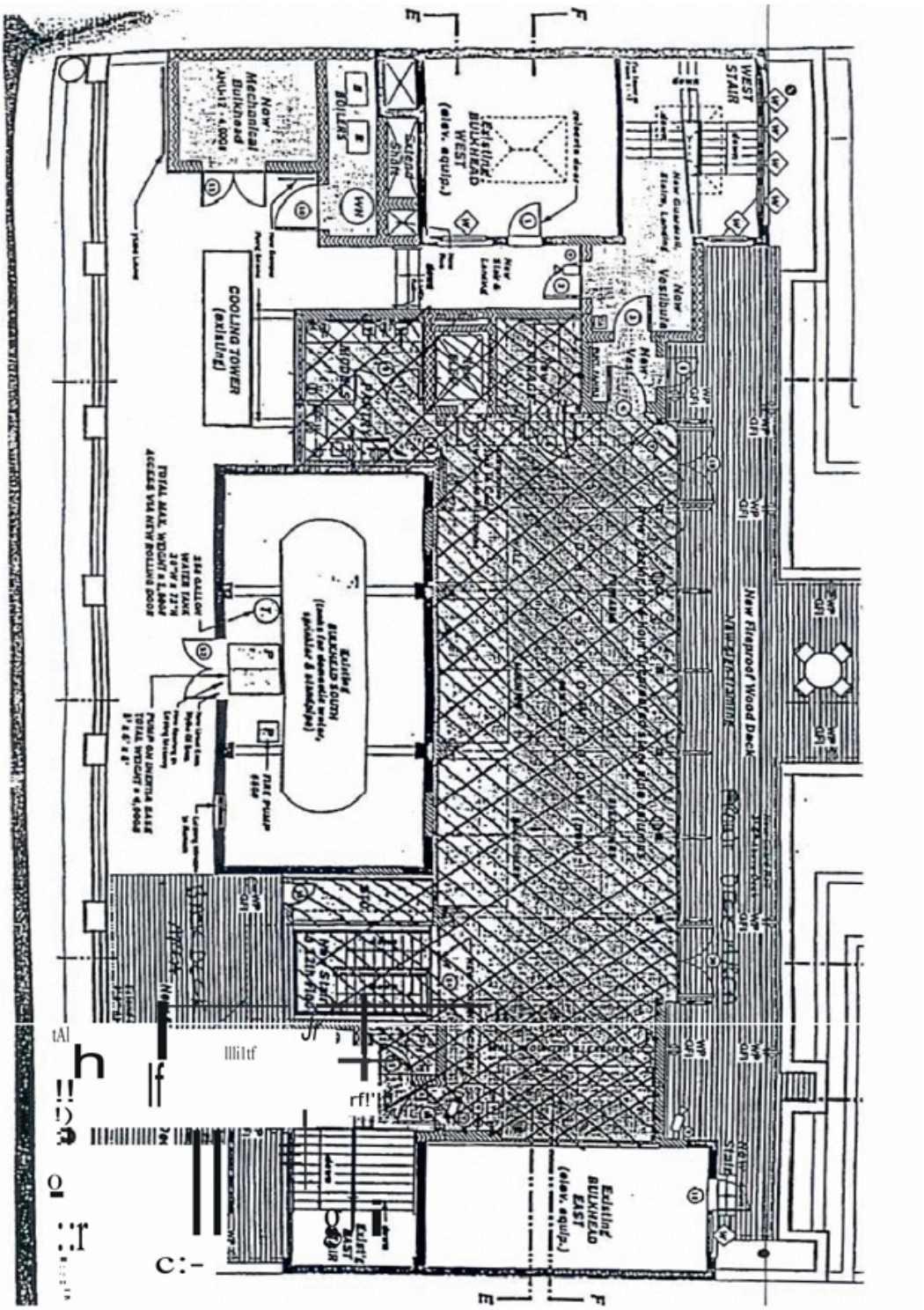
(Authorized Name and Title)
(If applicable)

(Authorized Signature)
(If applicable)

Exhibit G

PLAN DELINEATING THE ROOF DECK

See attached. (The location and dimensions of walls, partitions, columns, stairs and openings are approximate and subject to revisions due to mechanical work, job conditions, and requirements of governmental departments and authorities. If the space as actually partitioned shall differ in any de minimis respect from this sketch, the actual area as partitioned shall in all events control. No such resulting deviation or discrepancy shall affect the rent or Tenant's obligations under this Lease).


WEST STAIR
Existing BULKHEAD WEST (elev. equip.)
New Mechanical Bulkhead
BOILERS
COOLING TOWER (existing)
New Vestibule
New Fireproof Wood Deck
Existing BULKHEAD EAST (elev. equip.)
EAST STAIR

LEASE MODIFICATION AGREEMENT

LEASE MODIFICATION AGREEMENT (this "Agreement") dated as of the 28th day of May 2008 between 240 WEST 40TH LLC, having an office c/o Sitt Asset Management LLC, One Penn Plaza, New York, New York 10119 (hereinafter referred to as "Landlord"), and THE DONNA KARAN COMPANY LLC, a New York limited liability company, having an office at 240 West 40 th Street, New York, New York, Attn: Chief Financial Officer (hereinafter referred to as "Tenant").

WITNESSETH:

WHEREAS, Landlord, as landlord, and Tenant, as tenant, entered into that certain agreement of lease dated as of August 1, 2006 (the "Lease") covering those certain premises located on and comprising the entire rentable portion of the basement, the second (2nd) floor, the fourth (4th) through twelfth (12th) floors and the penthouse (collectively, the "Existing Premises") and the entire rentable portion of the third (3rd) floor (the "3rd Floor Premises;" the Existing Premises and 3rd Floor Premises being hereinafter collectively referred to as the "Premises"), as more particularly described in the Lease, in the building known as and located at 240 West 40th Street, New York, New York (the "Building") for a term scheduled to expire on July 31, 2016 (the "Expiration Date") under the terms, covenants and conditions contained therein; and

WHEREAS, pursuant to the Lease, the 3rd Floor Premises is to be added to the Premises under all of the applicable terms, covenants and conditions of the Lease, for a term which shall commence ten (10) days following the date on which Landlord gives Tenant written notice that the 3rd Floor Premises is available for occupancy, and shall end on the Expiration Date or on such earlier date upon which the term of the Lease shall expire, be canceled or terminated pursuant to any of the terms, covenants or conditions of the Lease or pursuant to law, but in no event shall the 3rd Floor be added to the Premises: (i) before May 1, 2007, or (ii) after July 1, 2008; and

WHEREAS, Landlord and Tenant wish to amend the Lease to provide, inter alia, that the 3rd Floor Premises shall be added to the Premises on the earlier to occur of: (i) that day which is (10) ten days after notice from Landlord to Tenant of the date on which Landlord's 3rd Floor Work (as such term is defined in the Lease) is estimated to be Substantially Completed (as defined in Paragraph 3(b), below), but not earlier than the date on which Landlord shall deliver possession of the 3rd Floor Premises to Tenant with Landlord's 3rd Floor Work Substantially Completed; or (ii) the day on which Tenant or anyone claiming through Tenant shall occupy or otherwise accept possession of the 3rd Floor Premises; (the "3rd Floor Commencement Date"), but in no event earlier than May 1, 2008 or later than July 1, 2008, subject to the terms and conditions set forth in the Lease and this Agreement; and

WHEREAS, Landlord has agreed to permit Tenant to add the 3rd Floor Premises to the Premises on the 3rd Floor Commencement Date, subject to the terms, covenants and conditions of the Lease, as modified by this Agreement.

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

1. Term.

Effective as of the date hereof, the Lease shall be amended to provide that the 3rd Floor Premises shall be added to the Premises under all the applicable terms, covenants and conditions of the Lease, except as modified herein, for a term which shall commence on the 3rd Floor Commencement Date and which shall end and expire on the Expiration Date or on such earlier date upon which the term of the Lease shall expire, be canceled or terminated pursuant to any of the conditions or covenants of the Lease or pursuant to law.

2. Fixed Annual Rent, Tax Escalation, Electricity and Operating Expenses.

(a) Tenant acknowledges and agrees that from and after the 3rd Floor Commencement Date, in addition to paying Fixed Annual Rent at the rates provided for in Exhibit C-1 of the Lease, Tenant shall pay to Landlord Fixed Annual Rent at the rates provided for in Exhibit C-2 of the Lease in accordance with Article 3 of the Lease.

(b) Tenant acknowledges and agrees that Tenant shall pay to Landlord, as Additional Rent, tax escalation in accordance with Article 32 of the Lease. For the purposes of the Lease, Landlord and Tenant acknowledge and agree that from and after the 3rd Floor Commencement Date:

(i) the rentable square foot area of the Premises shall be deemed to be 143,800 square feet, and

(ii) the term "Tenant's Share," for purposes of computing tax escalation, shall mean ninety-four percent (94%).

(c) Tenant acknowledges and agrees that Tenant shall pay to Landlord, as Additional Rent, in accordance with Article 41 of the Lease, Tenant's Electric Percentage (as defined below) of any and all sums billed to Landlord by any and all public utility and/or other service providers of electricity and electrical service to the Building (excluding the retail portions of the Building). For the purposes of the Lease, Landlord and Tenant acknowledge and agree that from and after the 3rd Floor Commencement Date, the term "Tenant's Electric Percentage" shall be deemed to be ninety-four percent (94%).

(d) Tenant acknowledges and agrees that Tenant shall pay to Landlord, as Additional Rent, operating expense escalations in accordance with Article 50 of the Lease. For the purposes of the Lease, Landlord and Tenant acknowledge and agree that from and after the 3rd Floor Commencement Date, the term the "Percentage" for the purposes of computing operating expense escalations shall be deemed to be ninety four percent (94%).

3. Condition of 3rd Floor Premises.

(a) Tenant shall accept possession of the 3rd Floor Premises on the 3rd Floor Commencement Date free of personal property, broom clean and otherwise in its "as-is" condition, and Tenant acknowledges and agrees that Landlord shall have no obligation to do any work in or to the 3rd Floor Premises in order to make it suitable and ready for occupancy and use by Tenant other than to perform Landlord's 3rd Floor Work, as expressly set forth in Article 22 of the Lease. Effective as of the date hereof, the Lease shall be amended to provide that Landlord shall perform the following items of additional work: (i) replace the roof of the Building; (ii) re-point the façade of the Building; (iii) scrape, re-plaster and re-paint the interior perimeter wall located on the 40th Street side of the 12th floor of the Building; and (iv) scrape, re-plaster and re-paint the walls located in the models' dressing room located on the 12th floor of the Premises (items (i) through (iv), above, collectively "Landlord's Additional Work").

(b) Landlord's 3rd Floor Work and Landlord's Additional Work shall be deemed to be substantially completed notwithstanding that: (i) minor or non-material details of construction, mechanical adjustment or decoration remain to be performed, provided that said details ("Punch List Items") shall be completed by Landlord within a reasonable time thereafter; or (ii) with respect to Landlord's Additional Work, a portion of Landlord's Additional Work is incomplete because construction scheduling requires that such work be done after incomplete finishing or after the completion of work other than Landlord's Additional Work which is to be performed by or on behalf of Tenant.

4. Early Delivery Consideration.

As consideration for Landlord's delivery of the 3rd Floor Premises to Tenant, along with the existing fixtures and permanent improvements located within the 3rd Floor Premises as of the 3rd Floor Commencement Date, Tenant shall pay to Landlord the sum of Five Hundred Thousand and 00/100 Dollars ($500,000.00) (the "Early Delivery Consideration") in three (3) installments as follows:

(i) $166,666.67 by official bank check, payable to Landlord's order, on the 3rd Floor Commencement Date (the "First Installment Payment");

(ii) $166,666.67 by official bank check, payable to Landlord's order, on the twelve (12) month anniversary of the 3rd Floor Commencement Date (the "Second Installment Payment"); and

(iii) $166,666.66 by official bank check, payable to Landlord's order, on the twelve (12) month anniversary of the date on which the Second Installment Payment is due and payable, as set forth in sub-clause (ii) above, as modified by the immediately succeeding paragraph (the "Third Installment Payment").

Notwithstanding anything contained in this Paragraph to the contrary, Tenant shall not be obligated to make the payment set forth in clause (ii), above, on the twelve (12) month anniversary of the 3rd Floor Commencement Date (the "Second Payment Date") in the event that Landlord shall not have substantially completed all items of Landlord's Additional Work on or prior to such Second Payment Date; provided, however, that in such event Tenant shall be obligated instead to make the payment set forth in clause (ii), above, five (5) days after notice from Landlord of the substantial completion of all items of Landlord's Additional Work, and Tenant shall thereafter be obligated to make the payment set forth in clause (iii), above, in a timely manner.

5. Existing Tenant.

Notwithstanding anything contained herein or in the Lease to the contrary, Tenant acknowledges that it has been informed by Landlord that the 3rd Floor Premises are presently occupied by another tenant, Eden Apparel Group, Inc. (d/b/a "Playknits") (the "Existing Tenant"), under a lease agreement (the "Existing Lease") which is to expire by its terms after July 1, 2008. Tenant further acknowledges that it has been informed by Landlord that the Existing Tenant has entered into a Surrender Agreement with Landlord pursuant to which Tenant has agreed to vacate and surrender to Landlord possession of the 3rd Floor Premises prior to July 1, 2008. Landlord and Tenant agree that if the Existing Tenant shall fail to vacate and surrender possession of the 3rd Floor Premises to Landlord on or prior to July 1, 2008, and, solely as a result, Landlord shall be unable to deliver possession of the 3rd Floor Premises to Tenant as required by the Lease and this Agreement on or before July 1, 2008, then Landlord shall not be subject to any liability for such failure and the Lease and this Agreement shall remain in full force and effect without extension of the term; however, in such event, Tenant's obligation to pay Fixed Annual Rent and Additional Rent under the Lease and hereunder with respect to the 3rd Floor Premises shall not commence until possession of the 3rd Floor Premises is delivered to Tenant in the condition required by the Lease and this Agreement, or on such earlier date, if any, as Tenant or anyone claiming through Tenant shall occupy or accept possession of the Premises. Further, in the event that such Existing Tenant shall fail to vacate and surrender possession of the 3rd Floor Premises to Landlord on or before July 1, 2008, upon Landlord's recovery of actual and lawful possession of the 3rd Floor Premises, Landlord shall furnish Tenant with prompt notice thereof.

Notwithstanding anything contained herein to the contrary, in the event that Landlord shall be unable to deliver the 3rd Floor Premises to Tenant with Landlord's Work Substantially Completed on or before August 1, 2008, then Tenant shall have the right to terminate the Lease, with regard to the 3rd Floor Premises only, on notice ("Tenant's Termination Notice ") given to Landlord within fourteen (14) days thereafter (the "Termination Notice Period"), in which event the Lease shall terminate as of August 15, 2008 and be of no further force or effect with regard to the 3rd Floor Premises only, except with regard to those provisions hereof that are specifically stated to survive the expiration or termination hereof. However, and notwithstanding anything contained in the immediately preceding sentence to the contrary, in the event that Landlord shall tender delivery of the 3rd Floor Premises to Tenant with Landlord's Work Substantially Completed during the Termination Notice Period, then Tenant's Termination Notice shall be null and void and the Lease shall remain in full force and effect with regard to the entire Premises, including, without limitation, the 3rd Floor Premises.

6. Intentionally Omitted.

7. Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

8. Entire Agreement.

The Lease, as modified by this Agreement, represents the entire understanding between the parties with regard to the matters addressed herein and may only be modified by written agreement executed by all parties hereto. All prior understandings or representations between the parties hereto, oral or written, with regard to the matters addressed herein, other than the Lease, are hereby merged herein. Tenant acknowledges that neither Landlord nor any representative or agent of Landlord has made any representation or warranty, express or implied, as to the physical condition, state of repair, layout, footage or use of the 3rd Floor Premises or any matter or thing affecting or relating to the 3rd Floor Premises except as specifically set forth in this Agreement. Tenant has not been induced by and has not relied upon any statement, representation or agreement, whether express or implied, not specifically set forth in this Agreement. Landlord shall not be liable or bound in any manner by any oral or written statement, broker's "set-up," representation, agreement or information pertaining to the 3rd Floor Premises or this Agreen1ent furnished by any real estate broker, agent, servant, employee or other person, unless specifically set forth herein, and no rights are or shall be acquired by Tenant by implication or otherwise unless expressly set forth herein.

9. Effectiveness.

This Agreement shall not be binding upon Landlord and Tenant until executed and delivered by both Landlord and Tenant.

10. Ratification.

Except as specifically modified herein, all other terms, covenants and conditions of the Lease are and shall remain in full force and effect and are hereby ratified and confirmed.

11. No Brokers/Indemnification.

Landlord and Tenant covenant, represent and warrant to each other that they have had no dealings or negotiations with any broker or agent in connection with the consummation of this Agreement other than Sitt Leasing LLC and Colliers ABR (collectively, the " Brokers"), and each party covenants and agrees to defend, hold harmless and indemnify the other party from and against any and all cost, expense (including reasonable attorneys' fees) or liability for any compensation, commissions or charges claimed by any broker or agent other than the Brokers with respect to this Agreement or the negotiation hereof.

12. Miscellaneous.

(a) The captions in this Agreement are for convenience only and are not to be considered in construing this Agreement. This Agreement may not be modified except in a writing signed by Landlord and Tenant.

(b) This Agreement shall be construed without regard to any presumption or other rule requiring construction against the party causing this Agreen1ent to be drafted.

(c) Terms used in this Agreement and not otherwise defined herein shall have the respective meanings ascribed thereto in the Lease.

(d) If any provision of this Agreement or its application to any person or circumstances is invalid or unenforceable to any extent, the remainder of this agreement, or the applicability of such provision to other persons or circumstances, shall be valid and enforceable to the fullest extent permitted by law and shall be deemed to be separate from such invalid or unenforceable provisions and shall continue in full force and effect.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Agreement as of the date first above written.

LANDLORD:

240 WEST 40TH LLC

By: /s/ Ralph Sitt
Name: Ralph Sitt
Title: President

Witness:

/s/ Christine Dehoatch
Name: Christine Dehoatch
Title: Leasing Administrator

TENANT:

THE DONNA KARAN COMPANY LLC

By: /s/ Patricia Kalberer
Name: Patricia Kalberer
Title: Chief Financial & Administrative Officer

Witness:

/s/ Dhara V. Patel
Name: Dhara V. Patel
Title: Executive Assistant

SECOND AMENDMENT OF LEASE

THIS SECOND AMENDMENT OF LEASE (this "Second Amendment"), made as of this 23rd day of November, 2015 (the "Effective Date"), between 240 WEST 40th DELAWARE LLC, a Delaware limited liability company ("Landlord"), having an office at c/o Olmstead Properties, Inc., 575 Eighth Avenue, Suite 2400, New York, New York 10018, and THE DONNA KARAN COMPANY LLC, a New York limited liability company (" Tenant"), having an office at 240 West 40th Street, New York, New York.

WITNESSETH

WHEREAS, 240 West 40th LLC, predecessor in interest to Landlord, and Tenant entered into that certain Lease, dated as of August 1, 2006 (the "Original Lease"), as amended by that certain Lease Modification Agreement, dated as of May 28, 2008 (the "First Amendment", as further amended hereby, known collectively as the "Lease"), whereby Tenant leased from Landlord premises more particularly described therein in the building known as 240 West 40th Street, New York, New York;

WHEREAS, Landlord and Tenant desire to extend the term of the Lease and modify certain other provisions thereof as more specifically set forth herein;

NOW, THEREFORE, for Ten Dollars, the mutual covenants set forth below and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Definitions.

Unless otherwise defined herein, all capitalized terms used herein shall have the meanings ascribed to them in the Lease.

2. Extended Term.

The term of the Lease is hereby extended for the period (the "Extended Term") from August 1, 2016 through and including July 31, 2020. All references in the Lease to the "Term" or the "term" shall be deemed to mean the term, as extended by the Extended Term, subject to further extension as herein provided, and all references in the Lease to the "Expiration Date" shall be deemed to mean and refer to July 31, 2020, subject to further extension as herein provided or unless sooner terminated pursuant to the Lease.

3. Fixed Annual Rent.

During the period from and after January 1, 2016 (the "Adjustment Date"), Fixed Annual Rent (without electric) shall be payable as provided on Exhibit A annexed hereto.

4. Additional Rent Payments.

Tenant shall continue to make all Additional Rent payments in accordance with the terms of the Lease, except that with respect to the period from and after the Adjustment Date, (i) Tenant shall have no obligation to make any payments pursuant to Article 50 of the Original Lease (and Article 2 of the First Amendment) (including, without limitation, payments for Expenses, Building Insurance Expenses and Base Insurance Expenses), and (ii) the "Base Tax Year" shall

be revised to mean the New York City Real Estate Tax Year commencing July 1, 2016 through June 30, 2017.

5. Security.

A. Landlord is currently holding, as security for Tenant's obligations under the Lease, an LOC in the amount of $1,250,000 (the "Initial LOC"). The Security under the Lease is hereby increased to the sum of $1,797,500. All references in the Lease to the "Security" and/or "LOC" shall be deemed to mean and refer to $1,797,500. Contemporaneously herewith, Tenant is delivering to Landlord cash security in the amount of $547,500 (the "Cash Security"), which shall be held by Landlord as part of the Security.

B. On or prior to the date (the "LOC Delivery Date") that is fifteen (15) days following the Effective Date, time being of the essence, Tenant shall deliver to Landlord either (i) an amendment to the Initial LOC so as to increase the same to $1,797,500, or (ii) a new LOC in the amount of $1,797,500 (either (i) or (ii) known as the "Amended LOC"). Upon delivery thereof, provided Tenant is then (a) current in Fixed Annual Rent and (b) not in material non-monetary default under the Lease beyond notice and the expiration of any applicable cure period (Tenant's compliance with both of the foregoing conditions known as "Not in Material Default" and Tenant's failure to comply with both of the foregoing conditions known as "in Material Default"), Landlord shall provide Tenant with a credit against the next installment(s) of Fixed Annual Rent in the aggregate amount of the Cash Security then held by Landlord (it being agreed that if Landlord shall not provide such credit because Tenant is then so in default under the Lease, upon the curing of such default, Landlord shall provide such credit). In the event this Second Amendment is terminated pursuant to Section 11 below, provided Tenant is not then in Material Default, Landlord shall immediately return any security deposit in excess of the amount of the Initial LOC to Tenant (and, if applicable, Landlord shall consent to an amendment of the Amended LOC so as to reduce the same to the Initial LOC), it being agreed that if Landlord shall not return such security because Tenant is then so in default under the Lease, upon the curing of such default, Landlord shall return such security. Landlord's obligation in the preceding sentence shall survive termination of this Second Amendment.

6. Additional Extension Option.

By notice given at any time on or prior to July 31, 2017 (time being of the essence), Tenant shall have the one-time option (the "Additional Extended Term Option") to extend the Term for the period (the "Additional Extended Term") from August 1, 2020 through and including July 31, 2030 (the "Additional Extended Term Expiration Date"), whereupon all references in the Lease to the "Term" or the "term" shall be deemed to mean the term, as extended by the Additional Extended Term, and all references in the Lease to the "Expiration Date" shall be deemed to mean and refer to the Additional Extended Term Expiration Date, unless sooner terminated as provided in the Lease, provided, however, that the exercise of such option shall only be effective upon compliance with the following terms and conditions:

(i) Tenant shall give Landlord written notice (the "Additional Extended Term Notice") of its election to extend the Term within the time period set forth in Section 6 above. Tenant's failure to timely give the Additional Extended Term Notice shall be deemed to be a waiver of Tenant's rights under this Section 6. Any such Additional Extended Term Notice shall be irrevocable upon delivery.

(ii) The Additional Extended Term Notice shall be given in the manner provided in Article 27 of the Original Lease (as amended hereby), except that it shall state, in bold-faced capitalized letters on the top of the first page thereof: **"TENANT HEREBY ELECTS TO EXTEND THE TERM OF THE LEASE PURSUANT TO SECTION 6 OF THE SECOND AMENDMENT OF LEASE".**

(iii) Tenant may exercise the Additional Extended Term Option only if, at the time of the giving of the Additional Extended Term Notice, (i) Tenant is then Not in Material Default, (ii) Tenant shall have not subleased more than 25% of the Premises (other than to a Related Entity), and (iii) Tenant shall have not assigned the Lease (other than to a Related Entity). Tenant may not exercise the Additional Extended Term Option, and this Section 6 shall be of no force and effect, upon Tenant's exercise of the Floor Surrender Option (as hereinafter defined).

(iv) Tenant may exercise the Additional Extended Term Option only if the Additional Extended Term Notice is accompanied by the Guaranty of LVMH Moet Hennessy Louis Vuitton S.E. (the "Guarantor") in the form attached hereto as Exhibit F (the "Guaranty"), executed by and acknowledged on behalf of the Guarantor and any required agent for service of process. Landlord shall return the LOC to Tenant within thirty (30) days of the delivery of the Guaranty, provided Tenant is then Not in Material Default (it being agreed that if the LOC is not returned to Tenant because Tenant is then so in default under the Lease, upon Tenant curing such default, Landlord shall return the LOC to Tenant).

(v) In the event Tenant exercises the Additional Extended Term Option, then from and after the date that is six (6) months after the giving of the Additional Extended Term Notice (the "Additional Extended Term Rent Reset Date"), (x) if Landlord shall have not exercised the Floor Surrender Option, the Fixed Annual Rent (without electric) shall be as provided on Exhibit E annexed hereto, and (y) if Landlord shall have previously exercised the Floor Surrender Option, the Fixed Annual Rent (without electric) shall be as provided on Exhibit B annexed hereto.

(vi) In the event Tenant exercises the Additional Extended Term Option, then provided Tenant is then Not in Material Default, fifty percent (50%) of the Fixed Annual Rent (without electric) payable for each of the first (1st) through twentieth (20th) months of the Term from and after the Additional Extended Term Rent Reset Date shall be abated. If Tenant shall not receive the abatement of any Fixed Annual Rent to which it is otherwise entitled pursuant to this Section 6(vi) as a result of Tenant's default under the Lease, then upon the curing of such default, any such abatement which Tenant did not receive shall be applied to the next installment(s) of Fixed Annual Rent coming due until such abatement is fully applied.

(vii) In the event Tenant exercises the Additional Extended Term Option, then Tenant shall be entitled to the Additional Extended Term Work Allowance (as hereinafter defined).

7. Floor Surrender Option.

By notice given at any time on or prior to January 31, 2017 (time being of the essence), Landlord (subject to the terms of clause (iii) below) and Tenant shall each have the one-time option (the "Floor Surrender Option") to terminate the Lease with respect to all of the second (2nd), third (3rd) and fourth (4th) floors of the Building only (collectively, the "Surrender Floors"), effective as of the date that is six (6) months following the giving of the Floor Surrender Notice (as hereinafter defined) (such date, the "Floor Surrender Date"), provided, however, that such termination shall only be effective upon compliance with the following terms and conditions:

(i) Landlord or Tenant shall give the other party written notice (the "Floor Surrender Notice") of its election to terminate the Lease with respect to the Surrender Floors within the time period set forth in Section 7 above (subject to clause (iii) below). Landlord or Tenant's failure to timely give the Floor Surrender Notice shall be deemed to be a waiver of Landlord or Tenant's rights, as applicable, under this Section 7. Any such Floor Surrender Notice shall be irrevocable upon delivery.

(ii) The Floor Surrender Notice shall be given in the manner provided in Article 27 of the Original Lease (as amended hereby), except that if (a) Tenant gives the Floor Surrender Notice, it shall state, in bold-faced capitalized letters on the top of the first page thereof: **"TENANT HEREBY ELECTS TO TERMINATE THE LEASE WITH RESPECT TO THE SURRENDER FLOORS EFFECTIVE AS OF [DATE (i.e., the Floor Surrender Date)] PURSUANT TO SECTION 7 OF THE SECOND AMENDMENT OF LEASE",** and (b) Landlord gives the Floor Surrender Notice, it shall state, in bold-faced capitalized letters on the top of the first page thereof: **"LANDLORD HEREBY ELECTS TO TERMINATE THE LEASE WITH RESPECT TO THE SURRENDER FLOORS EFFECTIVE AS OF [DATE (i.e., the Floor Surrender Date)] PURSUANT TO SECTION 7 OF THE SECOND AMENDMENT OF LEASE".**

(iii) If at any time subsequent to July 31, 2016 but on or prior to January 31, 2017, (w) Tenant shall have not have then exercised the Additional Extended Term Option, (x) neither Landlord nor Tenant shall have previously exercised the Floor Surrender Option, (y) Tenant in good faith seeks to sublease all or a portion of the Surrender Floors, and (z) at the time of the giving of the notice referenced herein, Tenant is then Not in Material Default, Tenant may by written notice to Landlord (which notice shall be addressed to the attention of Mr. Samuel Rosenblatt and shall have written in bold-faced capitalized letters at the top of the first page thereof: **"LANDLORD MUST EXERCISE ITS FLOOR SURRENDER OPTION WITHIN THE EARLIER OF NINETY (90) DAYS OF THE GIVING OF THIS NOTICE AND JANUARY 31, 2017 OR LANDLORD SHALL BE DEEMED TO HAVE WAIVED ITS RIGHT TO EXERCISE ITS FLOOR SURRENDER OPTION")** request that Landlord exercise the Floor Surrender Option, provided that such notice is accompanied by either a written agency agreement between Tenant and a recognized brokerage firm for the sublease of the Surrender Floors or a written term sheet submitted by a proposed sublessee (or by Tenant and agreed to by the proposed sublessee) of the Surrender Floors. If Landlord fails to exercise the Floor Surrender Option within the earlier of ninety (90) days of such request and January 31, 2017, then notwithstanding the terms of this Section 7, Landlord shall be deemed to have waived its right to exercise the Floor Surrender Option. Nothing in this clause (iii) shall be deemed to permit Landlord or Tenant the right to exercise the Floor Surrender Option (or give a Floor Surrender Notice) after January 31, 2017.

(iv) If either party exercises the Floor Surrender Option, then from and after the Floor Surrender Date, the Tenant's Share and the Tenant's Electric Percentage shall be deemed to be sixty-eight and seventy one-hundredths percent (68.70%).

(v) Tenant may exercise the Floor Surrender Option only if, at the time of the giving of the Floor Surrender Notice and on the Floor Surrender Date, (i) Tenant is then Not in Material Default, (ii) Tenant shall have not subleased more than 25% of the Premises (other than to a Related Entity), and (iii) Tenant shall have not assigned the Lease (other than to a Related Entity).

(vi) Tenant may exercise the Floor Surrender Option only if the Floor Surrender Notice is accompanied by the Guaranty, executed by and acknowledged on behalf of the

Guarantor and any required agent for service of process. Landlord shall return the LOC to Tenant within thirty (30) days of the delivery of the Guaranty, provided Tenant is then Not in Material Default (it being agreed that if the LOC is not returned to Tenant because Tenant is then so in default under the Lease, upon the curing of such default, Landlord shall return the LOC to Tenant).

(vii) In the event Tenant exercises the Floor Surrender Option, the Term shall be extended for the Additional Extended Term, whereupon all references in the Lease to the "Term" or the "term" shall be deemed to mean the term, as extended by the Additional Extended Term, and all references in the Lease to the "Expiration Date" shall be deemed to mean and refer to the Additional Extended Term Expiration Date, unless sooner terminated as provided in the Lease.

(viii) Neither Landlord nor Tenant may exercise the Floor Surrender Option, and this Section 7 shall be of no force and effect, upon Tenant's exercise of the Additional Extended Term Option.

(ix) In the event Tenant exercises the Floor Surrender Option, then from and after the Floor Surrender Date, the Fixed Annual Rent (without electric) shall be as provided on Exhibit B annexed hereto.

(x) In the event Landlord gives the Floor Surrender Notice, then from and after the Floor Surrender Date, the Fixed Annual Rent (without electric) shall be as provided on Exhibit C annexed hereto.

(xi) In the event Tenant exercises the Floor Surrender Option, then provided Tenant is then Not in Material Default, fifty percent (50%) of the Fixed Annual Rent (without electric) for each of the first (1st) through twentieth (20th) months of the Term from and after the Floor Surrender Date shall be abated. If Tenant shall not receive the abatement of any Fixed Annual Rent to which it is otherwise entitled pursuant to this Section 7(xi) as a result of Tenant's default under the Lease, then upon the curing of such default, any such Fixed Annual Rent which was not so abated shall be applied as an abatement to the next installment(s) of Fixed Annual Rent coming due until all such abatement is fully applied.

(xii) In the event Tenant exercises the Floor Surrender Option, then Tenant shall be entitled to the Additional Extended Term Work Allowance (as hereinafter defined).

(xiii) In the event Landlord exercises the Floor Surrender Option, Landlord shall reimburse (or, at Landlord's option upon written notice to Tenant, credit against Rent) Tenant for Tenant's reasonable, out-of-pocket costs actually paid by Tenant in relocating Tenant's personalty, trade fixtures and equipment located in the third (3rd) floor of the Building to a location elsewhere in the Premises selected by Tenant within thirty (30) days of Landlord's receipt of invoice therefor, provided in no event shall Landlord's obligations under this subparagraph exceed the sum of $600,000.

(xiv) Upon the Floor Surrender Date, Tenant shall vacate and surrender to Landlord full and complete vacant, broom clean possession of the Surrender Floors in accordance with the provisions of Article 12 of the Original Lease (subject to the terms below), as if said Floor Surrender Date were the original expiration date thereof with respect to the Surrender Floors and Landlord agrees to accept the Surrender Floors in their then "as-is" condition; provided that (a) Tenant shall not be required to remove any alterations or fixtures from the Surrender Floors and shall have no restoration obligation with respect thereto (including, without limitation, with

respect to any HVAC Systems or Building Systems serving the Surrender Floors), and (b) Tenant shall be entitled to relocate Tenant's personalty and equipment located on any of the Surrender Floors to a separate floor in the Premises (such location, the "Relocation Floor") selected by Tenant without obtaining Landlord's prior consent to the installation thereof on the Relocation Floor (although Tenant shall nevertheless be obligated to comply with all of the other terms and conditions of the Lease in connection therewith to the extent applicable to Non-Structural Alterations), provided that if the Relocation Floor is the fifth (5^{th}) floor of the Building, Tenant shall be required to provide sound and vibration buffering material and/or equipment for such fifth (5 1 floor that reduces the noise and vibration therefrom to a level reasonably acceptable to Landlord and any occupant of the fourth (4^{th}) floor. In the event Tenant fails to timely surrender any of the Surrender Floors on the Floor Surrender Date (as the same may be extended by Force Majeure delays), Tenant's liability under Article 12 of the Original Lease for liquidated damages for its holdover shall be calculated based on the monthly Fixed Annual Rent and Additional Rent which was in effect immediately prior to the Floor Surrender Date with respect to the Surrender Floor(s) that Tenant so failed to timely surrender. Upon the Floor Surrender Date, Tenant (provided Tenant shall have timely surrendered possession thereof in accordance with the terms of this Section 7(xiii)) shall be relieved of any obligations under the Lease with respect to the Surrender Floors for the period following the Floor Surrender Date, other than (i) those obligations of Tenant accruing prior to the Floor Surrender Date that are expressly provided in the Lease to survive the expiration or sooner termination of the Lease, and (ii) those obligations of Tenant expressly set forth in this Second Amendment with respect to the Surrender Floors. Upon the Floor Surrender Date, Landlord shall be relieved of any obligations under the Lease with respect to the Surrender Floors for the period following the Floor Surrender Date, other than (i) those obligations of Landlord accruing prior to the Floor Surrender Date that are expressly provided in the Lease to survive the expiration or sooner termination of the Lease, and (ii) those obligations of Landlord expressly set forth in this Second Amendment with respect to the Surrender Floors. From and after the Floor Surrender Date, all references in the Lease to the "Premises" shall be deemed to exclude the Surrender Floors. Upon request of Landlord or Tenant, Tenant and Landlord shall enter into an agreement in form reasonably satisfactory to the parties stating the Floor Surrender Date.

8. Tenant's Work Allowance; Additional Extended Term Work Allowance.

A. (a) Landlord shall provide to Tenant a tenant improvement allowance in the amount of sums expended by Tenant on Tenant's leasehold improvements and alterations to the Premises ("Tenant's Work "), but in no event greater than $1,438,000.00 ("Tenant's Work Allowance "). No more than ten percent (10%) of Tenant's Work Allowance shall be applied to Soft Costs (as hereinafter defined). Such Tenant's Work Allowance shall be made in Pro Rata Installments (as hereinafter defined) within thirty (30) days of Tenant's request for payment, but in no event more than once per month, and disbursement therefor must be requested by Tenant within eighteen (18) months of the Effective Date (the "Work Allowance Outside Date "), which Work Allowance Outside Date shall be extended by (i) up to ninety (90) days for Force Majeure delays (as hereinafter defined), and (ii) one (1) day for each day after the twentieth (20th) llay that Landlord shall fail shall to respond to any request by Tenant to Landlord for Landlord's approval to plans and specifications for Tenant's Work (which response, if a disapproval of Tenant's plans and specifications, shall include reasonably detailed reasons therefor). If request by Tenant for the disbursement of such Tenant's Work Allowance or any portion thereof is not received by the Work Allowance Outside Date, Tenant shall be deemed to have forfeited Tenant's Work Allowance or the then undisbursed amount of Tenant's Work Allowance. Such Tenant's Work Allowance shall be given to Tenant upon satisfaction of the following conditions with respect to each such request for payment:

(i) Tenant shall have delivered to Landlord a completed requisition for payment, signed and certified as true by Tenant's architect (provided that if Tenant has not retained an architect in connection with such Tenant's Work, such requisition shall be signed and certified as true by Tenant and Tenant's contractor), stating the amount requested for payment, which shall include an itemized breakdown of the costs and expenses incurred by Tenant, stating the percentage of Tenant's Work that has been completed, and shall indicate a minimum of ten percent (10%) retainage of payments by Tenant to its contractors (it being understood that any request for payment hereunder shall not be on account of such required retainage, other than the request for payment of the retainage) accompanied by copies of invoices, bills or receipts (or other evidence reasonably satisfactory to Landlord) for the costs with respect to which such request for payment is being made;

(ii) Such Tenant's Work shall have been completed in accordance with plans and specifications approved by Landlord and otherwise in accordance with the Lease (including, without limitation, in accordance with the terms and conditions of Article 8 of the Original Lease to the extent applicable to such Tenant's Work) and such completion shall be certified by Tenant's architect (provided that if Tenant has not retained an architect in connection with such Tenant's Work, such requisition shall be signed and certified as true by Tenant and Tenant's contractor);

(iii) Tenant is then Not in Material Default (provided that if such installment of Tenant's Work Allowance shall not be given to Tenant because Tenant is so in default, upon the curing of such default, such installment of Tenant's Work Allowance shall be given to Tenant provided Tenant is otherwise entitled thereto in accordance with the terms and conditions of this Section); and

(iv) Tenant shall have fully paid (other than for any retainage amounts) all bills for labor, materials and services in connection with Tenant's Work performed through the immediately prior request for payment of Tenant's Work Allowance, and Tenant shall provide Landlord with (x) satisfactory evidence of payment thereof, including paid bills and cancelled checks, and (y) executed lien waivers from all contractors and subcontractors respecting work performed.

(b) The final Pro Rata Installment for Tenant's Work, which shall not be less than ten percent (10%) of Tenant's Work Allowance (or, if applicable, the Additional Extended Term Work Allowance, as hereinafter defined), shall not be paid until, in addition to satisfaction of the provisions above, Tenant provides Landlord with evidence that the applicable municipal department has issued the appropriate sign-off relating to Tenant's Work.

(c) "Pro Rata Installments" shall mean the cost of the portion of Tenant's Work performed multiplied by a fraction, the numerator of which is Tenant's Work Allowance (or, if applicable, the Additional Extended Term Work Allowance) and the denominator of which is the total cost of Tenant's Work.

(d) "Soft Costs" shall mean the cost of architectural, planning, engineering, and similar professional and filing fees and permit fees in connection with Tenant's Work.

B. In the event that Tenant exercises the Floor Surrender Option or the Additional Extension Option, Landlord shall provide to Tenant a separate tenant improvement allowance in the amount of sums expended by Tenant on Tenant's Work (the "Additional Extended Term

Work Allowance"), which Additional Extended Term Work Allowance (x) shall in no event be greater than $7,190,000 if Tenant exercises the Additional Extended Term Option without Landlord or Tenant having first exercised the Floor Surrender Option, or (y) shall in no event be greater than $5,255,000 if either (a) Tenant exercises the Additional Extended Term Option after Landlord shall have first exercised the Floor Surrender Option or (b) Tenant exercises the Floor Surrender Option. No more than ten percent (10%) of the Additional Extended Term Work Allowance shall be applied to Soft Costs. Such Additional Extended Term Work Allowance shall be made in Pro Rata Installments within thirty (30) days of Tenant's request for payment, but in no event more than once per month, and disbursement therefor must be requested by Tenant within two (2) years following the Floor Surrender Date or the Additional Extended Term Rent Reset Date, as applicable (the "Additional Extended Term Work Allowance Outside Date"), which Additional Extended Term Work Allowance Outside Date shall be extended by (i) Force Majeure delays, (ii) one (1) day for each day after the twentieth (20^{th}) day that Landlord shall fail shall to respond to any request by Tenant to Landlord for Landlord's approval to plans and specifications for Tenant's Work (which response, if a disapproval of Tenant's plans and specifications, shall include reasonably detailed reasons therefor), and (iii) any delay (other than delays described in clause (ii) above) that Tenant actually encounters in the performance of Tenant's Work that is caused by Landlord's failure to comply with any express obligations of Landlord under the Lease to the extent continuing for a period of more than ten (10) days following written notice from Tenant of Landlord's failure to so comply. Such Additional Extended Term Work Allowance shall be given to Tenant upon satisfaction of the conditions described in subclauses 8(A)(a)((i) through (iv) above with respect to each such request for payment.

C. If Tenant satisfies all of the conditions to payment of the Tenant's Work Allowance and/or the Additional Extended Term Work Allowance in accordance with this Section 8 and Landlord fails to pay to Tenant any amount of the Tenant's Work Allowance and/or the Additional Extended Term Work Allowance on or before the date on which the same is due and payable to Tenant under this Section 8, and provided that such failure continues for 30 days after Tenant notifies Landlord of such failure (which notice shall state in bold-faced capitalized letter of the top of the first page thereof: **"THIS IS A NOTICE OF A CLAIMED OFFSET RIGHT GIVEN IN ACCORDANCE WITH SECTION 8 OF THE SECOND AMENDMENT"),** then Tenant may set off such amount against the next installments of Rent coming due under the Lease. If Landlord has reasonable grounds to dispute such amount owed to Tenant, Landlord shall have the right within such 30-day period to deliver written notice to Tenant that Landlord disputes Tenant's entitlement to the amount claimed by Tenant, together with a reasonably detailed explanation of the reasons therefor. If Landlord fails to deliver such written notice to Tenant within such 30-day period, Landlord shall be deemed to have accepted Tenant's entitlement to the amount claimed by Tenant and Tenant's set off right specified above. In the event Landlord delivers such written notice to Tenant within such 30-day period as provided above, the parties shall, in good faith, resolve such dispute(s) in a timely matter. If within 20 days after expiration of such 30-day period the parties are unable to resolve such dispute, then either party shall have the right to submit such dispute to arbitration before the AAA or any successor thereto. The parties agree that, notwithstanding anything to the contrary contained in the Lease: (1) the unsuccessful party in such arbitration will pay to the successful party all reasonable attorneys' fees and disbursements incurred by the successful party in connection with such arbitration, and will pay any fees and disbursements due to AAA (or the organization administering the arbitration) and the AAA Arbitrator and, to the extent the "successful" party cannot be clearly identified, each party will bear its own costs and expenses and the parties will pay their equal share of any fees and disbursements due to AAA (or the organization administering the arbitration) and the AAA Arbitrator; (2) arbitration pursuant to this Section

8(C) is intended to be the sole and exclusive method of arbitration to be utilized by the parties and the sole and exclusive dispute resolution method to be utilized by the parties concerning any dispute described in this Section 8(C); (3) judgment may be had on the decision and award of the arbitrator so rendered in any court of competent jurisdiction (each party hereby consenting to the entry of such judgment in any such court); (4) the AAA Arbitrator shall have no right to award damages (though the foregoing shall not preclude the AAA Arbitrator from issuing a determination that results in the payment or credit from one party to the other if such payment or credit is the subject matter of such arbitration or that results in Tenant being entitled to set off against Rent); and (5) any decision or award rendered in such arbitration, whether or not such decision or award has been entered for judgment, shall be final and binding upon Landlord and Tenant and shall constitute an "award" by the AAA Arbitrator within the meaning of the applicable arbitration rules and laws. If any such dispute in arbitration is resolved in favor of Tenant, then the amount in dispute shall be paid to Tenant within 10 days after the determination of the AAA Arbitrator, failing which Tenant may offset the amount due to Tenant against the next installments of Rent due under the Lease. The provisions of this Section 8(C) shall survive the expiration or sooner termination of the Lease.

D. The Tenant's Work Allowance and, if applicable, the Additional Extended Term Work Allowance, are for the purpose of constructing or improving qualified nonresidential real property for use in the Tenant's trade or business at the Premises.

9. Right of First Offer.

A. omitted

B. Subject to the terms of this Section 9, if at any time following the Initial Surrender Floor Leasing (as hereinafter defined), one or more Surrender Floors (or any portion of a Surrender Floor comprising 50% or more thereof) (hereafter, "Applicable Option Space") either becomes vacant and available for occupancy or is scheduled (or reasonably anticipated by Landlord) to become vacant and available for occupancy, Landlord shall institute the procedure described in this Section 9 with respect to such Applicable Option Space (and Landlord shall not enter into a lease or other occupancy agreement for such Applicable Option Space without first complying with such procedure) by giving notice thereof (the "Option Notice") to Tenant, which Option Notice shall (i) describe the Applicable Option Space, and (ii) set forth the date on which such Applicable Option Space is available or is scheduled (or reasonably anticipated by Landlord) to become vacant and available for occupancy (such date being referred to herein as the "Scheduled Option Space Commencement Date"); provided, however, Landlord may not give the Option Notice more than 180 days prior to the applicable Scheduled Option Space Commencement Date.

C. Tenant shall have the option (the "ROFO Option") to lease the Applicable Option Space for a term (the "Option Term") commencing on the Option Space Commencement Date (as hereinafter defined) and expiring on the Additional Extended Term Expiration Date by giving notice thereof (the "Option Response Notice") to Landlord not later than the tenth (101h) business day after the date that Landlord gives the Option Notice to Tenant. Time shall be of the essence as to the date by which Tenant must give the Option Response Notice to Landlord to exercise the ROFO Option. If, following the giving of an Option Notice, Tenant does not timely give an Option Response Notice to Landlord with respect to such Option Notice, then Landlord shall thereafter have the right to lease the Applicable Option Space described in such Option Notice to any other party on terms acceptable to Landlord in Landlord's sole discretion without being required to make any other offer to Tenant until such Applicable Option Space shall again

become vacant and available for occupancy or be scheduled (or reasonably anticipated by Landlord) to become vacant and available for occupancy (subsequent to any leasing that follows Tenant's failure to timely give an Option Response Notice to Landlord), whereupon the terms of this Section 9 shall again apply prior to Landlord entering into a lease or occupancy agreement of such Applicable Option Space (unless expressly otherwise provided in this Section 9).

D. Tenant shall not have the right to exercise the ROFO Option (and, accordingly (x) Landlord shall have no obligation to give an Option Notice to Tenant, and (y) Landlord shall have the right to lease the Applicable Option Space to any other party without first offering the Applicable Option Space to Tenant as contemplated by this Section 9) if, on the date that Landlord gives the Option Notice to Tenant: (i) Tenant is then in Material Default, (ii) Tenant shall have subleased more than 25% of the Premises (other than to a Related Entity), or (iii) Tenant shall have assigned the Lease (other than to a Related Entity).

E. The terms of this Section 9 shall only apply, and Landlord shall only be obligated to offer the Applicable Option Space and Tenant shall only have the right to exercise the ROFO Option, if either (A) Landlord shall have exercised the Floor Surrender Option and Tenant shall have subsequently exercised the Additional Extended Term Option, or (B) Tenant shall have exercised the Floor Surrender Option.

F. The terms of this Section 9 shall not apply, and Tenant shall not have the right to exercise the ROFO Option, with respect to Landlord's initial leasing of any of the Surrender Floors (the "Initial Surrender Floor Leasing") directly following either (A) Landlord's exercise of the Floor Surrender Option and Tenant's subsequent exercise of the Additional Extended Term Option, or (B) Tenant's exercise of the Floor Surrender Option, as applicable.

G. The terms of this Section 9 shall not apply, and Tenant shall not have the right to exercise the ROFO Option, if pursuant to a Declaration, the owner of the Option Space shall not be (i) the same party as Landlord under the Lease, or (ii) a wholly-owned subsidiary of Landlord, the parent entity of Landlord, or any corporation or entity which controls or is controlled by Landlord or is under common control with Landlord (it being agreed that the term "control" as used herein shall mean, in the case of a corporation or other entity, ownership or voting control, directly or indirectly, of at least fifty (50%) percent of all of the general or other partnership (or similar) interests therein or the power to determine the actions of such entity).

H. The terms of this Section 9 shall not apply to Landlord's leasing or renewing or extending any Applicable Option Space to any individual or entity that then occupies such Applicable Option Space or any portion thereof, regardless of whether such leasing is pursuant to an option or right contained in such individual or entity's lease. Nothing in this Section 9(H) shall be deemed a waiver of Landlord's obligation to comply with the terms of this Section 9 with respect to any Applicable Option Space, to the extent this Section 9 is applicable.

I. Tenant shall not have the right to exercise the ROFO Option from and after the Option Cutoff Date (as hereinafter defined), and, accordingly, from and after the Option Cutoff Date, (I) Landlord shall have no obligation to give an Option Notice to Tenant with respect to the Option Space (or any portion thereof), and (II) Landlord shall have the right to lease the Option Space (or such portion thereof) to any other party without first offering the Option Space (or such portion thereof) to Tenant as contemplated by this Section 9. The term "Option Cutoff Date" shall mean the date that is four (4) years before the Additional Extended Term Expiration Date.

J. If Tenant exercises the ROFO Option in accordance with the provisions of this Section 9, then, on the Option Space Commencement Date (as hereinafter defined) (provided Tenant has not revoked Tenant's Option Response Notice prior thereto in accordance with the terms of Section (K) hereof), (i) the Applicable Option Space shall be added to the Premises for purposes of the Lease (except as otherwise hereinafter provided), (ii) Landlord shall not be obligated to perform any work or make any installations in the Applicable Option Space (except as expressly provided in Section (K) hereof) or grant Tenant a work allowance therefor; (iii) the Tenant's Share and Tenant's Electric Percentage shall be increased by eight and four hundred thirty-three one-thousands percent (8.433%) for each full Surrender Floor that is included in the Applicable Option Space (and equitably prorated for any partial Surrender Floor that is included within the Applicable Option Space) (by way of example only, if the Tenant's Share is 68.70% and the Applicable Option Space is the entire second (2nd) floor, then Tenant's Share shall increase to 77.133%), (iv) Tenant's obligation with respect to the payment of Rent for the Applicable Option Space shall be subject to the Guaranty and Guarantor shall enter into such agreement as is consistent with the terms of the existing Guaranty as Landlord shall reasonably request confirming same, and (iv) the Fixed Annual Rent for the Applicable Option Space shall be an amount equal to the FMV (as hereinafter defined) of the Applicable Option Space as of the Option Space Commencement Date (it being agreed that the FMV shall be as defined in Section 9(L)).

K. The "Option Space Commencement Date" shall be the date on which Landlord delivers vacant and exclusive possession of the Applicable Option Space to Tenant free of all personal property and signage of any previous occupant of the Applicable Option Space, with electricity available thereto and free of any violations within Landlord's control to remediate that would prevent Tenant from obtaining a permit for any improvements to the Applicable Option Space that are permitted under this Lease. Landlord and Tenant agree that any failure to have the Premises available to Tenant for its occupancy on the Scheduled Option Space Commencement Date shall in no way affect the validity of this Section 9 or the obligations of Tenant hereunder, nor shall the same be construed in any wise to extend the term of the Lease or impose any liability on Landlord; provided, however, that if the Option Space Commencement Date does not occur within 90 days of the Scheduled Option Space Commencement Date, then Tenant may revoke Tenant's Option Response Notice with respect to such Applicable Option Space by notice given to Landlord and any time subsequent to such 901 day but prior to the occurrence of the Option Space Commencement Date. The provisions of this Section are intended to constitute "an express provision to the contrary" within the meaning of Section 223-a of the New York Real Property Law.

L. The term "FMV" shall mean the then-prevailing annual fair market rental value of the Applicable Option Space on the Option Space Commencement Date, taking into account all relevant factors. The FMV shall be determined by the mutual written agreement of Landlord and Tenant. In the event that Landlord and Tenant shall not have reached mutual agreement as to the FMV on or before the day that is thirty (30) days following the Option Response Notice, then Landlord and Tenant each shall, no later than the day that is sixty (60) days following the Option Response Notice, select a Real Estate Appraiser, as hereinafter defined. If either party shall fail to so appoint a Real Estate Appraiser, the one Real Estate Appraiser so appointed shall proceed to determine the FMV. In the event that the Real Estate Appraisers selected by Landlord and Tenant agree as to the FMV, said determination shall be binding on Landlord and Tenant. In the event that the Real Estate Appraisers selected by Landlord and Tenant cannot agree as to the FMV on or before the day that is ninety (90) days following the Option Response Notice, then said Real Estate Appraisers shall jointly select a third Real Estate Appraiser, provided that if they cannot agree on the third Real Estate Appraiser on or before the day that is one hundred twenty (120)

days following the Option Response Notice, then said third Real Estate Appraiser shall be selected in accordance with the rules prescribed by the American Arbitration Association in New York, New York (or any successor thereto). The FMV shall then be determined by the third Real Estate Appraiser no later than the day that is one hundred fifty (150) days following the Option Response Notice and said determination shall be binding on Landlord and Tenant. The term "Real Estate Appraiser" shall mean a fit and impartial person having not less than ten (10) years' experience as an appraiser of leasehold estates relating to office premises in buildings comparable to the Building located in New York County, and in addition, shall have had experience appraising leasehold estates in the vicinity of the Building. The appraisal shall be conducted in accordance with the provisions of this Section and, to the extent not inconsistent herewith, in accordance with the prevailing rules of the American Arbitration Association in New York (or any successor thereto). The final determination of the Real Estate Appraiser(s) shall be in writing and shall be binding and conclusive upon the parties, each of which shall receive counterpart copies thereof. In rendering such decision the Real Estate Appraiser(s) shall not add to, subtract from or otherwise modify the provisions of the Lease. Landlord and Tenant shall each pay the fees of their respective Real Estate Appraisers. The fees of the third Real Estate Appraiser, if any, shall be divided evenly. If by the Option Space Commencement Date the Fixed Annual Rent pursuant to this Section shall not have been determined by the Real Estate Appraiser(s), Tenant shall pay Fixed Annual Rent hereunder until such determination is made at the per floor rate set forth on Exhibit D hereto (prorated for partial floors), subject to adjustment upon determination of such Fixed Annual Rent whether by appraisal by the Real Estate Appraiser(s) as hereinabove provided or by agreement of Landlord and Tenant. Upon such determination, Tenant shall promptly pay to Landlord any underpayment of Fixed Annual Rent and, in the event of any overpayment of Fixed Rent during such period, Landlord shall credit the amount of such overpayment of Fixed Annual Rent against the payments of Fixed Annual Rent next coming due until such time as the overpayment has been fully credited to Tenant.

10. Additional Provisions Regarding Floor Surrender.

In the event either Landlord or Tenant shall exercise the Floor Surrender Option, then during any period of time that the Premises shall not include all of the Surrender Floors, the following provisions shall apply:

A. Landlord, at Landlord's expense, shall submeter the Surrender Floors (other than any Surrender Floors, or partial Surrender Floors, if applicable, that become part of the Premises pursuant to Section 9 hereof) to measure the consumption of electrical energy thereon. From and after the Floor Surrender Date, the amount Tenant shall be obligated to pay pursuant to Article 41 of the Original Lease shall have offset therefrom an amount equal to the product of (x) the actual usage of electricity in the Surrender Floors (other than any Surrender Floors, or partial Surrender Floors, if applicable, that become part of the Premises pursuant to Section 9 hereof), as measured by such meter or submeters, and (y) the electricity rate or rates at which Landlord buys electricity from the public utility company supplying electric current to the Building in effect during such applicable billing period.

B. The words "and the Building" appearing in the fourth line of Section 23.01 of the Original Lease shall be deleted and replaced with "and shall cause such rubbish to be removed from the Building".

C. To the extent necessary, Landlord, at its sole cost and expense, shall separate the HVAC System serving the Surrender Floors from the HVAC System serving the Premises (including, without limitation, the water tower serving the HVAC System). With respect to the

period from and after the Floor Surrender Date, (x) Tenant shall have no obligation to pay for electricity, water, gas or steam consumed by or used in connection with the HVAC System serving the Surrender Floors and accordingly from and after the Floor Surrender Date, any charges payable by Tenant for the HVAC System shall be equitably apportioned to exclude therefrom the cost of supplying electricity, water, gas or steam to the HVAC System serving the Surrender Floors, and (y) except as otherwise expressly provided in this Second Amendment, Tenant shall have no obligation to repair, maintain or replace any Building Systems or services serving the Surrender Floors, except to the extent caused by the negligence or willful misconduct of Tenant, its agents, employees or contractors.

D. From and after the Floor Surrender Date, Section 44.02 of the Original Lease shall be amended as follows: (v) upon Landlord's request, Tenant shall replace the brass lobby entry doors with entry doors reasonably acceptable to Landlord; (w) any sign installed pursuant to clause 44.02(i) shall not exceed twenty-four inches (24") by twenty-four inches (24"); (x) clause 44.02(ii) shall be deleted in its entirety and replaced with "on a lobby wall location above the security desk or another lobby wall location proposed by Tenant and reasonably acceptable to Landlord, not to exceed twenty-four (24") inches by twenty-four (24") inches; (y) clauses 44.02(iii) and 44.02(iv) shall be deleted; and (z) Tenant shall promptly remove any signs that do not then comply with the foregoing (other than the billboard sign on the Building's roof), and repair any damage to the Building caused by the installation or removal thereof (it being acknowledged that as of the Effective Date, no such signs or obligation to repair exists). Any additional signs installed by Landlord in the Building lobby, including for any other tenants in the Building, shall not be larger than sixteen (16") inches by sixteen (16") inches. Nothing in this Section D shall preclude Landlord from installing and maintaining a lobby directory for Building occupants.

E. From and after the Floor Surrender Date, the restrictions imposed on Landlord in clauses 44.03(i) and (ii) of the Original Lease shall be limited only to the areas that are (x) within twenty-five feet (25') from the western-most edge of the marble surrounding the front entrance doorway to the Building (as it exists on the Effective Date), and (y) above the third (3^{rd}) floor of the Building.

F. If Tenant shall consume water for any reason other than customary lavatory and cleaning purposes and for one washing machine, Landlord may install, at Tenant's cost and expense, a meter to measure water consumption in the Premises whereupon Tenant shall pay to Landlord, as Additional Rent, the cost of the water consumed in the Premises (but not the Surrender Floors), as measured by such meter.

G. If, during any period (following the exercise by Landlord or Tenant of the Floor Surrender Option) that the main Building lobby shall be used by any other tenants or occupants of the Building as their entrance or exit (other than for emergency egress only):

(i) except to the extent caused by the negligence or willful misconduct of Tenant, its agents, employees, contractors or invitees, Landlord shall be solely responsible for operating, maintaining, repairing and replacing the lobby and the Lobby HVAC,

(ii) notwithstanding anything to the contrary contained in Article 59 of the Original Lease (as amended hereby), Landlord shall maintain an attendant in the Building lobby during Business Hours (as hereinafter defined),

(iii) Tenant's rights under Article 59 of the Original Lease (as modified hereby) to maintain personnel in the Building lobby shall be limited to Tenant's employees and invitees during non-Business Hours (and such personnel shall not interfere with access by other occupants and their invitees to portions of the Building other than the Premises), and

(iv) Notwithstanding anything to the contrary contained in Article 59 of the Original Lease (as amended hereby), Landlord shall install a card-key or similar access system ("Landlord's Access System") at the Building entrance to provide access through the main entrance doors in the Building lobby. To the extent that Tenant has security cameras in any of the Surrender Floors, Tenant shall be obligated to remove same at its sole cost and expense. In addition, Tenant, at its sole cost and expense, shall remove the Surrender Floors from Tenant's card-key reader system in the Building elevators.

As used herein, the term "Business Hours" shall mean the hours from 8:00 am to 6:00 pm on weekdays that are not holidays recognized by the Federal or State governments or any of the labor unions serving the Building.

11. Lender Consent.

A. The parties acknowledge and agree that this Second Amendment is expressly subject to the consent of Aareal Capital Corporation (the "Lender"). Upon Tenant's execution and delivery to Landlord of this Second Amendment, Landlord shall use commercially reasonably efforts to obtain such consent. Landlord shall advise Tenant of Lender's approval or disapproval within twenty (20) days following the date on which Tenant shall so execute and deliver to Landlord this Second Amendment and the Cash Security (the "Lender Termination Date").

B. If Landlord fails to obtain Lender's consent to this Second Amendment on or prior to the Lender Termination Date, this Second Amendment shall terminate and be void *ab initio* and of no force and effect, other than those obligations and liabilities hereunder that expressly survive such termination (although the Original Lease and First Amendment shall remain in full force and effect in accordance with its terms).

12. Additional Revisions to the Lease.

A. Section 3.02 of the Original Lease is hereby deleted in its entirety.

B. Clause 5.01(f) of the Original Lease is hereby deleted in its entirety.

C. The definition of "Force Majeure" in Section 11.04 of the Original Lease is (i) deleted and replaced with the following: "the inability of Landlord or Tenant to perform an obligation accruing under this Lease (expressly excluding the payment of Rent by Tenant) by reason of weather, Acts of God, strikes, or war.", and (ii) shall be deemed to apply to all of Landlord's and Tenant's obligations under the Lease (other than any monetary obligation of Tenant under the Lease).

D. Intentionally Omitted.

E . Section 44.03 of the Original Lease is modified by deleting the words "for so long as the Tenant or anyone claiming through the Tenant occupies at least seventy-five (75%) percent of the entire rentable portion of the Building, from the date hereof" appearing in the first

(1st) through third (3rd) lines thereof. Tenant acknowledges that any signage on the exterior of the Building on the Effective Date does not breach any of the terms of Section 44.03 of the Original Lease. Section 44.03 remains subject to the terms of Section 10(E) of this Second Amendment.

F. The following provisions of the Original Lease are hereby deleted in their entirety: Article 52, Article 53, Article 55, the first clause 58.07(iii), and the second clause 58.07(ii).

G. Section 59.01 of the Original Lease is deleted and is revised to read as follows: "59.01 Tenant acknowledges and agrees that Landlord shall not be responsible to, and currently does not intend to, staff, station or maintain any (i) electronic security or surveillance systems or (ii) manned security, doormen or concierge, in or about the lobby, stairwells, elevators or common areas of the Building. Tenant may, at Tenant's sole cost and expense, station attendants at the lobby, as well as at the Premises. Tenant hereby indemnifies and agrees to defend and hold Landlord, its members partners, directors, officers, employees, representatives, servants and invitees, harmless from and against any and all claims, demands, suits, actions, proceedings, awards, judgments, orders, damages, fines, penalties, costs, fees, expenses, and liabilities whatsoever, arising out of the acts or omissions of Tenant, its members, partners, directors, officers, employees, representatives and servants stationed at the Building, acting or presumed to be acting pursuant to the provisions of this Article."

H. Prior to Tenant or its contractor performing any alterations or improvements to the Premises pursuant to this Second Amendment, Landlord shall obtain, at its sole cost and expense and deliver to Tenant an ACP-5 Certification with respect to the Premises. In the event such ACP-5 Certification indicates the presence of ACM's at the Premises or the Building, Landlord shall, at its sole cost and expense and without applicability to any tenant improvement allowance granted pursuant to this Second Amendment, take all actions required, including without limitation, remediation of ACM's in the Premises or the Building, in order for such work to be performed in compliance with all applicable laws and regulations.

I. Notwithstanding anything to the contrary contained in the Lease, the parties hereby agree that Tenant shall have the right to perform non-structural or cosmetic improvements or alterations to the Building's lobby provided that such improvements or alterations shall be subject to Landlord's approval, not to be unreasonably withheld, conditioned or delayed.

J. Notwithstanding anything to the contrary contained in the Lease, Tenant shall have no obligation to comply with the provisions of the Americans With Disabilities Act of 1990 and any municipal laws, ordinances and rules of like import, and any regulations adopted and amendments promulgated pursuant to any of the foregoing (collectively, the "ADA") to the extent applicable to (i) the Surrender Floors from and after the Floor Surrender Date, and (ii) any work performed by or on behalf of Landlord for other tenants or occupants of the Building or to the common areas of the Building.

K. Landlord shall indemnify, defend and save Tenant harmless from and against any liability, loss, claims, demands, damages or expenses (including reasonable attorneys' fees, disbursements and court costs) in connection with third party claims arising from any negligent act or omission of Landlord or any one claiming through or under Landlord and any of their agents, contractors, employees or servants (unless caused by the negligence or willful misconduct of Tenant or Tenant's agents, representatives or contractors). The provisions of this Section shall survive the Expiration Date or sooner termination of the Term.

L. In the event that Landlord or Tenant commences or engages in any legal action or proceeding against the other arising out of or in connection with this Lease, the prevailing party shall recover its reasonable attorneys' fees, disbursements and court costs from the other in connection with such matter. The provisions of this Section shall survive the Expiration Date or sooner termination of the Term.

M. Landlord, at its sole cost and expense, shall upgrade the two (2) passenger elevators in the Building (the "Upgraded Passenger Elevators"). Landlord agrees to prosecute such work in the following manner:

(i) Landlord shall use Building-standard materials and equipment;

(ii) Landlord shall cause such work to be performed sequentially. During the progress of such work, Landlord shall operate both of the Building's freight elevators and one of the Building's passenger elevators during Business Hours for access to the Premises by Tenant, its employees, agents, contractors, subtenants, licensees and invitees;

(iii) During the performance of such work, Landlord shall provide one passenger elevator for use by Tenant, its employees, agents and invitees, 24 hours per day 7 days per week, subject to Building rules and emergencies (or if no passenger elevator is available during such times as a result of mechanical failure, a freight elevator, at no charge to Tenant). Nothing herein shall be deemed to modify Tenant's rights and obligations under Article 60 of the Original Lease.

(iv) Landlord shall commence such work on or before August 1, 2016. Such work shall be performed diligently and Landlord shall use commercially reasonable efforts to cause such work to be completed as expeditiously as reasonably possible. Such work shall be performed and completed in a good and workmanlike manner so as to minimize interference with Tenant's use of and access to the Premises (although Landlord shall not be obligated to retain labor on an overtime basis); and

(v) Following Landlord's completion of the Upgraded Passenger Elevators, Tenant, at its sole cost and expense, may install its own separate card-key access system therein with respect to access to the Premises and may also install cameras in the Upgraded Passenger Elevators.

13. Brokerage.

Tenant and Landlord each represents to the other that it has dealt with no broker or brokers other than Olmstead Properties, Inc. and Savills Studley, Inc. (together, the "Broker") in the negotiation of this Second Amendment. Tenant and Landlord hereby indemnifies and agrees to hold the other harmless from any loss, cost, damage, expense, claim or liability arising out of any inaccuracy or alleged inaccuracy of the above representation, including court costs and attorneys' fees. Landlord shall pay any commission due to the Broker pursuant to a separate agreement and Landlord shall indemnify and hold Tenant harmless for its losses arising from Landlord's failure to pay such commission. The provisions of this Section 13 shall survive the termination or expiration of the Lease.

14. Notices.

A . Section 27.01 of the Original Lease is deleted and replaced with the following: "27.01 Any bill, notice or demand ("Notices") from Landlord or Tenant to the other shall be in writing and if to Tenant shall be addressed to the Premises to the attention of Chief Financial Officer, with a copy addressed to the Premises to the attention of Legal Department-General Counsel (and with a copy of any default notice also sent to Barack Ferrazzano Kirschbaum & Nagelberg LLP, 200 West Madison Street, Suite 3900, Chicago, Ill 60606 Attn: Julie Rademaker, Esq.), and if to Landlord shall be addressed to 240 West 40th Delaware LLC, c/o Olmstead Properties, Inc., 575 Eighth Avenue, Suite 2400, New York, New York 10018, Attn: Mr. Samuel Rosenblatt. Notices shall be given personally or by nationally recognized overnight courier service. Notices given personally shall be deemed given when received or rejected, and Notices given by overnight courier shall be deemed given on the business day following the business day on which such Notice was given to the overnight courier service. Notwithstanding the foregoing, bills sent from Landlord in the ordinary course of business to Tenant may be sent through regular mail. Either party may designate a different address for which Notices are to be given by delivering such designation to the other party in accordance with the provisions of this Article. In addition, Tenant may designate a different address for which bills sent in the ordinary course of business are to be given by delivering such designation to Landlord in accordance with the provisions of this Article."

B. Section 31.02(c) of the Original Lease is amended by deleting references to "(Attn: Ralph Sitt)".

15. Miscellaneous.

A. The parties agree that the first applicable rent period on any of Exhibits B, C, D or E shall be the rent period in which the Additional Extended Term Rent Reset Date, the Floor Surrender Date or the Option Space Commencement Date (as applicable) shall occur, and that subsequent increases to the Fixed Annual Rent shall thereafter occur on the dates set forth in the applicable Exhibit.

B. If any of the provisions of the Lease, or the application thereof to any person or circumstance, shall, to any extent, be invalid or unenforceable, the remainder of Lease or the circumstances other than those as to whom or which it is held invalid or unenforceable shall not be affected thereby, and every provision of Lease shall be valid and enforceable to the fullest extent permitted by law. In the event of any conflict between the Original Lease or the First Amendment and this Second Amendment, the terms of this Second Amendment shall prevail. Tenant hereby certifies that, to the best of Tenant's knowledge: (a) the Lease is in full force and effect and has not been modified or amended except as herein provided, (b) Landlord is not now in default under the Lease, and has completed all improvements and made all contributions (if any) required of Landlord under the Lease and Tenant knows of no event which, with notice of the passage of time or both would constitute such a default, and (c) Tenant has made no demand against Landlord and has no present right to make such demand with respect to charges, liens, defenses, counterclaims, offsets, claims, or credits against the payment of rent or additional rent or the performance of Tenant's obligations under the Lease. Landlord hereby certifies that, to the best of Landlord's knowledge: (w) the Lease is in full force and effect and has not been modified or amended except as herein provided, (x) Tenant is not now in default under the Lease, and has completed all improvements and made all contributions (if any) required of Tenant under the Lease and Landlord knows of no event which, with notice of the passage of time or both would constitute such a default, (y) Landlord has made no demand against Tenant and has no present

right to make such demand with respect to charges, liens, claims or the performance of Landlord's obligations under the Lease, and (z) the Building and the land of which the Premises form a part are not presently subject to the condominium form of ownership. Except as modified hereby, the Lease shall remain in full force and effect, and as modified hereby, the Lease is ratified and confirmed in all respects. The Lease may not be orally changed or terminated, nor any of its provisions waived, except by an agreement in writing signed by the party against whom enforcement of any changes, termination or waiver is sought. This Second Amendment shall be binding upon, and inure to the benefit of the parties hereto, their respective legal representatives, successors and assigns. The parties hereto acknowledge that this Second Amendment shall not be binding upon the other party until both parties shall have executed this Second Amendment and counterparts thereof shall have been delivered to the other. Tenant and Landlord each hereby represents and warrants that it has full right, power and authority to enter into this Second Amendment and that the person executing this Second Amendment on behalf of Tenant and Landlord, respectively, is duly authorized to do so. This Second Amendment may be executed (i) in one or more counterparts, each of which shall constitute an original and all of which when taken together shall constitute one and the same instrument and (ii) by facsimile or signatures given by pdf transmission.

[Signatures appear on following page.]

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

240 WEST 40TH DELAWARE LLC,
a Delaware limited liability company

By: /s/ Sam Rosenblatt
Name: Sam Rosenblatt
Title: President

THE DONNA KARAN COMPANY LLC,
a New York limited liability company

By: /s/ Patricia F. Kalberer
Name: Patricia F. Kalberer
Title: Chief Financial & Administrative Officer

[SIGNATURE PAGE TO THE DONNA KARAN COMPANY LLC SECOND AMENDMENT OF LEASE]

Exhibit A

Fixed Annual Rent (without electric) From and After the Adjustment Date*

Rent Period		Fixed Annual Rent	
Start Date	End Date	Annually	Monthly
1/1/2016	12/31/2016	$ 7,190,000.00	$ 599,166.67
1/1/2017	12/31/2017	$ 7,333,800.00	$ 611,150.00
1/1/2018	12/31/2018	$ 7,480,476.00	$ 623,373.00
1/1/2019	12/31/2019	$ 7,630,085.52	$ 635,840.46
111/2020	7/31/2020	$ 7,782,687.23	$ 648,557.27

* provided, however, if the Additional Extended Term Option or the Floor Surrender Option is exercised, then the Fixed Annual Rent from and after the Extended Term Rent Reset Date or the Floor Surrender Date shall be as provided in Sections 6 or 7, as applicable.

Exhibit B

Fixed Annual Rent (without electric) from and after (i) the Floor Surrender Date (as opposed to the giving of the Floor Surrender Notice), if Tenant exercises the Floor Surrender Option, or (ii) the Additional Extended Term Rent Reset Date (as opposed to the giving of the Additional Extended Term Notice), if Tenant exercises the Additional Extended Term Option subsequent to Landlord exercising the Floor Surrender Option

The rent schedule set forth on this Exhibit B shall become effective on the Floor Surrender Date or the Additional Extended Term Rent Reset Date (as applicable) falling within the applicable Rent Period specified below that is then in effect

Rent Period		Fixed Annual Rent	
Start Date	**End Date**	**Annually**	**Monthly**
Six (6) months following the Effective Date	7/3112017	$ 5,885,600.00	$ 490,466.67
8/112017	7/3112018	$ 6,003,312.00	$ 500,276.00
8/1/2018	7/3112019	$ 6,123,378.24	$ 510,281.52
8/1/2019	7/3112020	$ 6,245,845.80	$ 520,487.15
8/1/2020	7/31/2021	$ 6,370,762.72	$ 530,896.89
8/1/2021	7/3112022	$ 6,498,177.98	$ 541,514.83
8/1/2022	7/3112023	$ 6,628,141.53	$ 552,345.13
8/1/2023	7/3112024	$ 6,760,704.37	$ 563,392.03
8/1/2024	7/3112025	$ 6,895,918.45	$ 574,659.87
8/1/2025	7/3112026	$ 7,033,836.82	$ 586,153.07
8/1/2026	7/3112027	$ 7,174,513.56	$ 597,876.13
8/112027	7/3112028	$ 7,318,003.83	$ 609,833.65
8/112028	7/3112029	$ 7,464,363.91	$ 622,030.33
8/1/2029	7/31/2030	$ 7,613,651.18	$ 634,470.93

Exhibit C

Fixed Annual Rent (without electric) from and after the Floor Surrender Date (as opposed to the giving of the Floor Surrender Notice) if Landlord exercises the Floor Surrender Option

The rent schedule set forth on this Exhibit C shall become effective on the Floor Surrender Date falling within the applicable Rent Period specified below that is then in effect

Rent Period		Fixed Annual Rent	
Start Date	**End Date**	**Annually**	**Monthly**
Six (6) months following the Effective Date	12/3112016	$ 5,255,000.00	$ 437,916.67
1/112017	12/3112017	$ 5,360,100.00	$ 446,675.00
11112018	12/3112018	$ 5,467,302.00	$ 455,608.50
111/2019	12/31/2019	$ 5,576,648.04	$ 464,720.67
1/1/2020	7/3112020	$ 5,688,180.96	$ 474,015.08

Exhibit D

Fixed Annual Rent (without electric) per floor of the Applicable Option Space from and after the Option Space Commencement Date (as opposed to the giving of the Option Notice) if Tenant exercises the ROFO Option and the FMV is not then determined

The rent schedule set forth on this Exhibit D shall become effective on the Option Space Commencement Date falling within the applicable Rent Period specified below that is then in effect

Rent Period		Fixed Annual Rent	
Start Date	**End Date**	**Annually**	**Monthly**
Six (6) months following the Effective Date	7/31/2017	$ 722,400.00	$ 60,200.00
8/1/2017	7/3112018	$ 736,848.00	$ 61,404.00
8/1/2018	7/3112019	$ 751,584.96	$ 62,632.08
8/1/2019	7/3112020	$ 766,616.66	$ 63,884.72
8/112020	7/3112021	$ 781,948.99	$ 65,162.42
8/1/2021	7/3112022	$ 797,587.97	$ 66,465.66
8/112022	7/3112023	$ 813,539.73	$ 67,794.98
8/1/2023	7/3112024	$ 829,810.53	$ 69,150.88
8/112024	7/3112025	$ 846,406.74	$ 70,533.89
8/1/2025	7/3112026	$ 863,334.87	$ 71,944.57
8/1/2026	7/3112027	$ 880,601.57	$ 73,383.46
8/1/2027	7/3112028	$ 898,213.60	$ 74,851.13
8/112028	7/3112029	$ 916,177.87	$ 76,348.16
811/2029	7/3112030	$ 934,501.43	$ 77,875.12

Exhibit E

Fixed Annual Rent (without electric) from and after the Additional Extended Term Rent Reset Date (as opposed to the giving of the Additional Extended Term Notice) if Tenant exercises the Additional Extended Term Option and Landlord has not first exercised the Floor Surrender Option

The rent schedule set forth on this Exhibit E shall become effective on the Additional Extended Term Rent Reset Date falling within the applicable Rent Period specified below that is then in effect

Rent Period		Fixed Annual Rent	
Start Date	**End Date**	**Annually**	**Monthly**
Six (6) months following the Effective Date	7/3112017	$ 8,052,800.00	$ 671,066.67
8/1/2017	7/31/2018	$ 8,213,856.00	$ 684,488.00
8/1/2018	7/31/2019	$ 8,378,133.12	$ 698,177.76
8/112019	7/3112020	$ 8,545,695.78	$ 712,141.32
8/112020	7/3112021	$ 8,716,609.70	$ 726,384.14
8/1/2021	7/3112022	$ 8,890,941.89	$ 740,911.82
8/112022	7/3112023	$ 9,068,760.73	$ 755,730.06
8/112023	7/3112024	$ 9,250,135.94	$ 770,844.66
8/1/2024	7/3112025	$ 9,435,138.66	$ 786,261.56
8/1/2025	7/3112026	$ 9,623,841.44	$ 801,986.79
8/1/2026	7/3112027	$ 9,816,318.27	$ 818,026.52
8/1/2027	7/3112028	$ 10,012,644.63	$ 834,387.05
8/1/2028	7/3112029	$ 10,212,897.52	$ 851,074.79
8/1/2029	7/31/2030	$ 10,417,155.47	$ 868,096.29

Exhibit F

Form of Guaranty

GUARANTY OF LEASE

THIS GUARANTY made as of the _____ day of_____, _____by LVMH MOET HENNESSY LOUIS VUITTON S.E., a Societe Europeenne, having an address at 22 Avenue Montaigne, 75008 Paris, France ("Guarantor") in favor of 240 WEST 40th DELAWARE LLC, a Delaware limited liability company, having an address at c/o Olmstead Properties, Inc., 575 Eighth Avenue, Suite 2400, New York, New York 10018 ("Landlord").

W I T N E S S E T H :

Landlord is the owner of the land and the improvements located thereon (the "Building") known as 240 West 40th Street, New York, New York.

Guarantor, through the ownership of 100% of the stock of one or more intervening corporations, is the ultimate parent of The Donna Karan Company LLC ("Tenant"). Guarantor will receive direct or indirect benefit from the Landlord entering into the Lease (as hereinafter defined) with Tenant.

WHEREAS, Landlord's predecessor has entered into an Agreement of Lease, dated as of August 1, 2016, with THE DONNA KARAN COMPANY LLC., a New York limited liability company having an address at 240 West 40th Street, New York, New York (" Tenant"), as amended by that certain Lease Modification Agreement, dated as of May 28, 2008 and that certain Second Amendment to Lease, dated as of November [ ], 2015 (the " Second Amendment", and collectively and as the same may be further amended from time to time, the "Lease"), for certain premises (as the same may have been or may be further increased or decreased pursuant to the Lease from time to time, the "Premises") in the building known as 240 West 40th Street, New York, New York (the "Building");

WHEREAS, contemporaneous herewith, Tenant is exercising an option set forth in the Lease to extend the term thereof;

WHEREAS, Guarantor acknowledges that a condition of the effectiveness of such extension is the execution of this Guaranty by Guarantor and the delivery of this Guaranty to Landlord contemporaneous with Tenant's exercise of such option;

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration received, Guarantor does hereby covenant, agree, represent and warrant to Landlord as follows:

ARTICLE I
REPRESENTATIONS AND WARRANTIES
OF THE GUARANTOR

Guarantor does hereby represent and warrant that (a) the Guarantor has the power to enter into and perform this Guaranty, (b) neither this Guaranty, the execution, delivery and performance hereof, the performance of the agreements herein contained nor the consummation of the transactions herein contemplated will violate any statute, ordinance, regulation, court order or decree or order or decree of

any other governmental authority or agency or any other agreement to which the Guarantor is subject, and (c) this Guaranty constitutes a valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms.

ARTICLE II

AGREEMENT TO GUARANTEE

Section 2.1 Obligations; Guarantee; Limitations.

(a) Subject to Section 2.l(c), Guarantor hereby irrevocably, absolutely, unconditionally and, if there shall be more than one Guarantor, jointly and severally, (i) guarantees to Landlord the full and prompt payment, now or hereafter existing, of Tenant's obligations for any and all Rent (as such term is defined in the Lease) payable under the Lease and in addition (ii) covenants and agrees to pay to Landlord, as liquidated damages and not as a penalty for Tenant's default under the Lease beyond the expiration of any applicable notice and cure period, and in addition to Guarantor's obligations under clause 2.1(a)(i) hereof, an amount equal to the then-unamortized (amortized on a straight-line basis over the Additional Extended Term (as such term is defined in the Second Amendment) and calculated as of the date of the Tenant default under the Lease giving rise to Landlord's enforcement of its rights under this Guaranty) Landlord's Leasing Costs, as hereinafter defined (collectively, the "Obligations"). In the event of a default under the Lease by Tenant after the expiration of notice and any applicable cure period, Guarantor hereby covenants and agrees with Landlord to make the due and full punctual payment of all Obligations payable by Tenant under the Lease. For the avoidance of doubt, the "Obligations" shall be limited to (x) the payment of rent and additional rent obligations of Tenant under the Lease, and (y) the liquidated damages referred to in clause 2.1 (a)(ii) hereof. As used herein, the "Landlord's Leasing Costs" shall mean the sum of (i) the amount of any abated Fixed Annual Rent under the Second Amendment actually credited to Tenant; (ii) the amount of the Tenant's Work Allowance and/or the Additional Extended Term Work Allowance (as such terms are defined in the Second Amendment), as applicable, that was paid to Tenant pursuant to the Second Amendment; and (iii) any brokerage commissions actually paid by Landlord in connection with the making of the Second Amendment.

(b) Guarantor acknowledges that its liability hereunder is primary and that Landlord may, at Landlord's option, join Guarantor in any action or proceeding commenced by Landlord against Tenant in connection with or based upon the Lease or any term, covenant or condition thereof relating to Tenant's payment obligations under the Lease, and recovery may be had against Guarantor in such action or proceeding or in any independent action or proceeding against Guarantor without Landlord first asserting, prosecuting, or exhausting any remedy or claim against Tenant. Guarantor acknowledges that this Guaranty is an absolute and unconditional guaranty of payment and not merely of collection.

(c) Notwithstanding anything to the contrary in this Guaranty, Guarantor's obligations under this Guaranty shall not exceed the sum of (i) four (4) years' Fixed Annual Rent at the rental rate in effect on the date of the Tenant default under the Lease giving rise to Landlord's enforcement of its rights against Guarantor; and (ii) Landlord's out of pocket costs and expenses incurred in enforcing its rights under this Guaranty (including, without limitation, Landlord's reasonable attorneys' fees and expenses).

Section 2.2 Obligations Unconditional.

To the fullest extent permitted by law, the Obligations of the Guarantor hereunder shall not be affected, modified, released or impaired by any state of facts or the happening from time to time of any

event, including, without limitation, any of the following whether or not with notice to, or the consent of, the Guarantor:

(a) The invalidity or unenforceability of the Lease by virtue of the lack of power or authority of Tenant or the person executing such document on behalf of Tenant, to enter into, execute and deliver such documents;

(b) The compromise, settlement, release, extension, indulgence, change, modification or termination of any or all of the obligations, covenants and agreements of Tenant under the Lease, or the expiration of the term of the Lease;

(c) The failure to give notice to the Guarantor of the occurrence of any default under the terms and provisions of the Lease; provided, however, that the Guarantor shall not be obligated to perform under this Guaranty until the notice required pursuant to Section 2.5 under this Guaranty shall have been given to the Guarantor;

(d) The actual or purported assignment of any of the obligations, covenants and agreements contained in this Guaranty, the Lease or the actual or purported assignment of Tenant's leasehold estate under the Lease, or the subletting of the Premises;

(e) The forbearance by Landlord in collecting any of the rent or demanding performance or observance by Tenant of any of the obligations, conditions, covenants or agreements or any or all of them contained in the Lease;

(f) The extension of time for the payment of any amounts required to be paid by Tenant under the Lease or the performance of any other obligation by Tenant under the Lease;

(g) The modification or amendment (whether material or otherwise) of any term, duty, obligation, covenant or agreement set forth in the Lease;

(h) The taking or the omission to take any action or to pursue any right or remedy under the Lease;

(i) The voluntary or involuntary commencement of any case or proceeding under the Federal Bankruptcy Code or any state or foreign bankruptcy, insolvency or similar statute affecting Tenant, the liquidation, dissolution, merger, consolidation, sale or other disposition of all or substantially all of the assets of Tenant, the marshalling of the assets and liabilities, receivership, insolvency, assignment for the benefit of creditors, the reorganization, arrangement, composition with creditors, or readjustment of debts or other similar events of proceedings, or the appointment of a receiver, conservator, custodian or sequestrator of all or part of the property of Tenant, or any allegation or contest of the validity of this Guaranty or the Lease in any such proceeding; it being specifically understood, consented and agreed to that this Guaranty shall remain and continue in full force and effect and shall be enforceable against the Guarantor to the same extent and with the same force and effect as if such events and proceedings had not been instituted; and it is the intent and purpose of this Guaranty that the Guarantor shall and does hereby waive all rights and benefits which might accrue to the Guarantor by reason of any such proceeding or case;

(j) Any failure of Landlord to mitigate the damages resulting from any default by Tenant under the Lease;

(k) Any failure by Landlord to preserve any security under the Lease;

(l) The taking of additional security from Tenant;

(m) The rejection, disaffirmance or disclaimer of the Lease by any party in any action or proceeding;

(n) The release of any collateral held for the Obligations or release of any Guarantor or any other guarantor;

(o) Any defect or invalidity of the Lease;

(p) The transfer by Guarantor of any or all its ownership interest in Tenant;

(q) Any repossession, re-entry or re-letting of the Premises by Landlord;

(r) The leasing by Tenant of any additional space in the Building; or

(s) Any subletting of all or any portion of the Premises or any assignment or other transfer of Tenant's interest in the Lease.

Section 2.3 No Waiver of Set-Off; No Right to Jury Trial. No act of commission or omission of any kind or at any time upon the part of Landlord in respect of any matter whatsoever shall in any way impair the rights of Landlord to enforce any right, power or benefit under this Guaranty and no set-off, counterclaim, reduction or diminution of any obligation or any defense of any kind or nature (other than performance by Tenant of its obligations under the Lease) which the Guarantor has or may have against Landlord or any affiliate thereof, shall be available hereunder to the Guarantor. The Guarantor and Landlord, by its acceptance of this Guaranty, each hereby waives the right of trial by jury in the event of any litigation between Landlord and the Guarantor in respect of any matter arising out of this Guaranty.

Section 2.4 Waiver of Notice. The Guarantor hereby expressly waives notice from Landlord of its acceptance of, and reliance on, this Guaranty. The Guarantor hereby waives presentment of any instrument, demand of payment, protest and notice of non-payment or protest thereof, except for notice required under this Guaranty.

Section 2.5 Notice of Default. Landlord shall give the Guarantor a copy of each notice of default sent by Landlord to Tenant under the Lease, and the payment by Guarantor or any nominee of Guarantor of rent and additional rent under the Lease shall be accepted by Landlord.

Section 2.6 Certification by Guarantor. Guarantor agrees that it will, from time to time, within thirty (30) days after Landlord's request, execute and deliver a statement certifying that this Guaranty is unmodified and in full force and effect.

Section 2.7 Continues After Lease Termination; No Subrogation. This Guaranty shall remain in full force and effect until the payment of all Obligations (whether or not the Lease shall have been terminated). Until the payment of all Obligations payable under this Guaranty, Guarantor:

(a) Shall have no right of subrogation against Tenant by reason of any payments or acts of performance by the Guarantor in compliance with the obligations of the Guarantor under this Guaranty;

(b) Waives any right to enforce any remedy which Guarantor now or hereafter shall have against Tenant by reason of any one or more payments or acts of performance in compliance with the obligations of Guarantor under this Guaranty; and

(c) Subordinates any liability or indebtedness of Tenant now or hereafter held by Guarantor to the Obligations of Tenant to the Landlord under the Lease.

ARTICLE III

NOTICES AND CONSENT TO JURISDICTION

Section 3.1 Notices. Any notice required to be given to Guarantor shall be in writing and shall be given by hand delivery, receipt acknowledged, or by internationally recognized courier, to Guarantor at the address first set forth above, or to such other address as Guarantor shall specify by delivery of notice as aforesaid with copies to (i) LVMH MOET HENNESSY LOUIS VUITTON S.E., 22 Avenue Montaigne, 75008 Paris, France, Attention: Bernard Kuhn, (ii) LVMH MOET HENNESSY LOUIS VUITTON INC., 19 East 57th Street, New York, New York 10022, Attention: General Counsel, (iii) Tenant at 240 West 40th Street, New York, New York 10018, Attention Chief Financial Officer, and to Attention: Legal Department-General Counsel, and (iv) Barack Ferrazzano Kirschbaum & Nagelberg LLP, 200 W. Madison, Suite 3900, Chicago, Illinois 60606, Attention: Peter J. Barack, Esq., and to Landlord, c/o Olmstead Properties, Inc., 575 Eighth Avenue, Suite 2400, New York, New York 10018, Attention: Mr. Samuel Rosenblatt, or at such other address as Landlord may specify to Guarantor at Guarantor's then specified address. Notices shall be deemed given on the date received or refused.

Section 3.2 Consent to Jurisdiction. The Guarantor irrevocably and unconditionally (a) agrees that any suit, action or other legal proceeding arising out of this Guaranty may be brought in a court of the State of New York situated in New York County or the United States District Court for the Southern District of New York and that such courts shall have sole and exclusive jurisdiction over any suit, action or other legal proceeding arising out of this Guaranty, (b) consents to the jurisdiction of each such court in any such suit, action or proceeding, (c) waives any objection which it may have that venue should not lie in a court described in clause (a) above, except that by consenting to the jurisdiction of a court of the State of New York, the Guarantor shall not be deemed to have waived any right to remove any such suit, action or proceeding to the United States District Court for the Southern District of New York and (d) appoints LVMH MOET HENNESSY LOUIS VUITTON INC. to act as agent for service of process in any action or proceeding under this Guaranty provided that nothing contained in this Section 3.2 shall affect the right of Landlord to serve legal process in any other manner permitted by law; provided, however, that if on the date Guarantor delivers this Guaranty to Landlord, LVMH MOET HENNESSY LOUIS VUITTON INC. does not maintain an office open for the conduct of business in the State of New York, then in addition to the foregoing, Guarantor shall appoint a nationally recognized corporate service firm to act as Guarantor's agent for service of process for the balance of the term of the Lease (including any extension and renewal periods set forth therein), and such firm shall execute and deliver to Guarantor its agreement to so act as agent simultaneously with Guarantor's delivery to Landlord of this Guaranty. To the extent permitted by applicable law, Guarantor agrees that a final judgment obtained in any court described above in any 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.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Remedies Not Exclusive. No remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other available remedy given under this Guaranty or hereafter existing at law or in equity. No delay or failure to exercise any right or power accruing upon any default, omission or failure or performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. If any provision contained in this Guaranty should be breached by the Guarantor and thereafter duly waived by Landlord, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Guaranty shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by Landlord and the Guarantor.

Section 4.2 Severability. The invalidity or unenforceability of any one or more of the phrases, sentences, clauses or sections of this Guaranty shall not affect the validity or enforceability of the remaining portion of this Guaranty or any part hereof.

Section 4.3 Applicable Law. This Guaranty shall be governed by and construed m accordance with the laws of the State of New York without regard to conflict of law principles.

Section 4.4 Successors and Assigns. This Guaranty shall be binding upon, and be enforceable in accordance with its terms against, the Guarantor and its successors or assigns and shall inure to the benefit of Landlord, its successors or assigns.

Section 4.5 Payments.

(A) All payments due hereunder shall be made in lawful money of the United States of America ("U.S.") in immediately available funds free and clear of, and without deduction or withholding for or on account of, any taxes, levies, fees, imposts, duties, expenses, commissions, withholdings, assessments or other charges, or any penalties, fines, additions to tax or interest thereon (collectively, "Taxes") to the extent that Taxes result in the amount collected by Landlord hereunder being less than the amount that Landlord otherwise would have collected if Tenant made such payment to Landlord. If any Taxes are required by law to be deducted or withheld from any payment made by Guarantor hereunder and as a result thereof the amount that Landlord receives hereunder is less than the amount that Landlord otherwise would have received if Tenant made such payment to Landlord, then Guarantor shall increase the amount paid so that Landlord receives, after deduction or withholding on account of Taxes, the full amount of the payment provided for in this Guaranty.

(B) If Landlord is obligated by any bankruptcy, insolvency or other legal proceedings to repay to Guarantor or to Tenant, or to any trustee, receiver or other representative of any of them, any amounts previously paid by Guarantor pursuant to this Guaranty, then this Guaranty shall be deemed reinstated to the extent of that repayment made by Landlord. Landlord shall not be required to litigate or otherwise dispute its obligation to make such repayments if, in good faith and on the advice of counsel, Landlord believes that such obligation exists.

(C) This Guaranty is made by Guarantor in connection with a transaction in which the specification of U.S. dollars and payment at the designated place of payment is of the essence, and U.S. dollars shall be the currency of account in all events. The payment obligations of Guarantor

under this Guaranty shall not be discharged by an amount paid in another currency or in another place, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on conversion to U.S. dollars and transferred to the designated place of payment under normal banking procedures does not yield the amount of U.S. dollars due hereunder. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder in U.S. dollars into another currency, the parties hereto agree, to the fullest extent permitted by law, the rate of exchange used shall be that at which, in accordance with normal banking procedures, Landlord could purchase U.S. dollars with such other currency at a bank located in The City of New York on the date on which final judgment is given. The obligation of Guarantor in respect of any sum due from it to Landlord hereunder shall, notwithstanding any judgment in currency other than U.S. dollars, be discharged only to the extent that, on the business day following receipt by Landlord of any sum judged to be so due with such other currency, Landlord may, in accordance with normal banking procedures, purchase U.S. dollars with such other currency. If the U.S. dollars so purchased are less than the sum originally due to Landlord in U.S. dollars, Guarantor agrees, as a separate obligation and notwithstanding any such judgment, to pay to Landlord any such loss, and if the U.S. dollars so purchased exceed the sum originally due to Landlord, in U.S. dollars, Landlord agrees to remit to Guarantor such excess.

IN WITNESS WHEREOF, the Guarantor has executed this Guaranty as of the date first above written.

LVMH MOET HENNESSY LOUIS VUITTON S.E.

By: _____
Name:
Title:

By its signature below, LVMH MOET HENNESSY LOUIS VUITTON INC. has indicated its unconditional agreement to act as Agent for the Service of Process on Guarantor. The undersigned agrees that this appointment is irrevocable through the Additional Extended Term Expiration Date (as such term is defined in the Second Amendment).

LVMH MOET HENNESSY LOUIS VUITTON INC.

By: _____
Name:
Title:

STATE OF NEW YORK)
)ss.:
COUNTY OF NEW YORK)

On the _____ day of _____ in the year _____, before me, the undersigned, personally appeared_____ personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

_____
Notary Public

[Acknowledgement for Agent for Service of Process]

DONNA KARAN
COMPANY

400 B COMMERCE BLVD
CARLSTADT, NJ 07072

Check No. 2410322
Check Date - 10/28/15

47484 240 WEST 40TH DELAWARE LLC

Stub 1 of 1

INVOICE NUMBER		DESCRIPTION	GROSS AMOUNT	DEDUCTIONS	AMOUNT PAID
102715	102715		547,500.00		547,500.00
			547,500.00		547,500.00

DETACH ALONG PERFORATION

THE FACE OF THIS CHECK IS PRINTED BLUE - THE BACK CONTAINS A SIMULATED WATERMARK

CHECK NO. 02410322

DONNAKARAN
COMPANY

400 B COMMERCE BLVD
CARLSTADT, NJ 07072

Citibank Delaware
A Subsidiary of Citicorp
One Penn's Way
New Castle, DE 19720

47484

DATE	AMOUNT
10/28/15	$***547,500.00

THE DONNA KARAN COMPANY LLC

PAY FIVE HUNPRED FORTY SEVEN THOUSAND FIVE HUNDRED AND 00/100 **********

TO THE ORDER OF 240 WEST 40TH DELAWARE LLC

FBO AAREAL CAPITAL CORP - AGENT
PO BOX 2152
HICKSVILLE NY 11802

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE

TWO SIGNATURES REQUIRED OVER $25,000
VOID AFTER 90 DAYS

MP

⑈02410322⑈ ⑆031100209⑆ 39109214⑈

Exhibit 10.19

LEASE AGREEMENT

Between

400 COMMERCE BOULEVARD, LLC, Landlord

and

THE DONNA KARAN COMPANY LLC, Tenant

Prepared by:

Richard G. Berger, Esq.
c/o Russo Development, LLC
570 Commerce Boulevard
Carlstadt, New Jersey 07072
(201) 487-5657

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LEASE AND SECURITY AGREEMENT

THIS AGREEMENT, made this __ day of November, 2011, By and Between:

400 COMMERCE BOULEVARD, LLC, C/O Russo Development, LLC, 570 Commerce Boulevard, Carlstadt, New Jersey 07072 (hereinafter referred to as the "Landlord");

and

THE DONNA KARAN COMPANY LLC, 240 West 40th Street, New York, New York 10018, (hereinafter referred to as the "Tenant").

W I T N E S S E T H:

That Landlord leases to Tenant, and Tenant takes from Landlord, the premises which consist of approximately 197,445 square feet, including approximately 23,615 square feet of office area, in Landlord's building (the "Building") comprising approximately 267,051 square feet located at 400 Commerce Boulevard, Carlstadt, New Jersey which area within the Building is more particularly depicted on Schedule "A" annexed hereto (hereinafter the "Demised Premises"), and the exclusive right to 125 parking spaces designated on Schedule "A." The lot or parcel commonly known as 400 Commerce Boulevard, Carlstadt, New Jersey, the Building and all structures, fixtures, equipment and appurtenances now or hereafter located at the property in which the Demised Premises are located (other than any trade fixtures and equipment owned by Tenant) are hereinafter referred to as the "Landlord's Premises."

TO HAVE AND TO HOLD the Demised Premises for the term set forth at Article 1 of this Lease, subject to all of the terms, conditions, warranties, covenants and agreements set forth in this Lease Agreement.

IN CONSIDERATION OF THE FOREGOING, and of the mutual promises, agreements, conditions, covenants and terms herein set forth, the Landlord and the Tenant mutually covenant and agree as follows:

1 . Lease Term: After the existing Tenant has vacated Landlord will allow Tenant to access the Demised Premises to set up equipment and ready the Demised Premises for occupancy; provided and on the conditions that: (a) Tenant shall not delay or interfere with the completion of the Allowance Improvements by the Landlord in any material respect; and (b) prior to entering the Demised Premises the Tenant shall provide insurance coverage as required by this Lease. Landlord shall offer the existing tenant an early termination of its lease on December 31, 2011, instead of the normal expiration date of January 31, 2012. The term of this Lease (hereinafter the "Term") shall commence on the earlier of: (a) Tenant taking occupancy of the Demised Premises for the conduct of business operations (provided that Tenant's access pursuant to the first sentence hereof shall not constitute taking occupancy of the Demised Premises for the conduct of business operations); or (b) the later of: (i) May 1, 2012 (provided that Tenant is given access to the Demised Premised by January 1, 2012, or June 1, 2012 if Tenant is given access to the Demised Premises on February 1, 2012), or (ii) the date when Landlord achieves Substantial Completion of the Allowance Improvements (hereinafter the "Commencement Date"); provided that, if the Commencement Date has not occurred

by May 1, 2012 (if Landlord is able to give Tenant access to the Demised Premised by January 1, 2012), or June 1, 2012 (if Landlord is able to give Tenant access to the Demised Premises on February 1, 2012), then Tenant shall be entitled to a credit equal to the difference between the fixed or base rent Tenant required to pay to its current landlords under two of Tenant's existing leases in Carlstadt in the combined total amount of Four Thousand Two Hundred Fifty Dollars ($4,250.00) per day, less one (1) day of Fixed Rent under this Lease for each day from June 1, 2012 until the Commencement Date which shall be applied against the first installments of Fixed Rent payable after the Rent Commencement Date. The Term shall end on the date twelve (12) years after the Commencement Date, unless sooner terminated or extended (if applicable) as elsewhere provided in this Lease Agreement, a date which is estimated to be April 30, 2022 (hereinafter the "Termination Date").

2. Rent:

2 . 1 Fixed Rent: The Tenant hereby agrees to pay to the Landlord an annual base or fixed rental (hereinafter, "Fixed Rent") throughout the full Term in the amounts set forth on Schedule "B" annexed hereto and incorporated herein by reference in cash or check, lawful money of the United States of America, in monthly installments, payable on the first day of each and every month, in advance, throughout the initial Term of twelve (12) years. Rent shall commence on the date (the "Rent Commencement Date") which is thirty calendar days after the Commencement Date. If the Rent Commencement Date is before or after June 1, 2012, then Schedule B shall be revised and initialed by the parties to reflect the actual Rent Commencement Date. Fixed Rent for the first full month of the Term after the Rent Commencement Date shall be paid in advance on the date of execution of this Lease.

Fixed Rent, Supplemental and Additional Rent (which are sometimes collectively referred to herein as "Rent") shall be paid at the office of the Landlord or at such other place as may hereafter be designated by the Landlord. Fixed Rent shall be paid to the Landlord without notice or demand and without deduction, set-off or other charge. If the Commencement Date or the Termination Date occurs on a day other than respectively, the first day or the last day of a calendar month, the Fixed Rent for the partial calendar month at the commencement or termination of the Term shall be prorated based upon the number of days in that month.

2.2 All monetary obligations of any and every nature, including, without limitation security deposit obligations, owed by the Tenant to the Landlord or to any affiliate of the Landlord who performs work or provides services for the Tenant at the Demised Premises, including without limitation, taxes, charges, costs, letters of credit or security deposits and expenses which the Tenant is required to pay to third parties or to reimburse to the Landlord hereunder, together with all interest and penalties that may accrue thereon in the event of the Tenant's failure to timely pay such amounts, and all damages, costs and expenses which the Landlord may incur by reason of any default or failure on the Tenant's part to comply with the terms of this Lease, shall be Rent (referred to herein as "Additional Rent") and, in the event of nonpayment or nonperformance of Additional Rent obligations by the Tenant, the Landlord shall have all rights and remedies with respect thereto as the Landlord has for the nonpayment of Rent.

2.3 Any sums due the Tenant from the Landlord under any of the provisions of this Lease, or arising from or out of the Landlord's failure to comply with, or perform any of the terms of this Lease, shall in all cases be enforced by Tenant by means other than deduction from Rent, and the attempt by Tenant to deduct all or any part of the Rent due, without prior court adjudication, shall constitute a breach of this Lease. No payment by Tenant or receipt by Landlord of a lesser amount than any payment of Fixed, Supplemental or Additional Rent herein stipulated shall be deemed to be other than on account of the earliest Rent or Rents then due and payable.

2.4 Tenant hereby acknowledges that late payment by Tenant to Landlord of Fixed Rent, Supplemental Rent, and/or Additional Rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by terms of any mortgage or trust deed covering the Landlord's Premises. Accordingly, if any installment of Rent t or sum due from Tenant, under this or any other agreement between Landlord and Tenant, shall not be received by Landlord or Landlord's designee from Tenant when that said amount is due, then Tenant shall pay to Landlord a late charge equal to five (5%) percent of the amount past due, plus any reasonable attorneys' fees and expenses of every nature incurred by Landlord by reason of Tenant's failure to pay Rent and/or other charge when due hereunder. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of the late payment by Tenant. Notwithstanding the foregoing, Landlord shall waive the assessment of any such late charge against Tenant one time in each consecutive twelve (12) month period (commencing on the Commencement Date) during the Term as long as with respect to any such late payment Tenant cures the failure to pay thereof within five (5) days after receipt of notice from Landlord with respect to same. Acceptance of such late charge by the Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. Any late payment of Fixed Rent, Supplemental Rent or Additional Rent not accompanied by such late charge may, at Landlord's option be returned to Tenant and treated as if not made at all, or else, by written notice, the unpaid late charge may be added to the next month's Fixed Rent. If checks issued by Tenant shall be dishonored it shall be deemed late payment and a late charge shall apply, and if checks are dishonored on two (2) or more occasions within any six (6) consecutive-month period, Landlord may require, by giving written notice to Tenant that all future Rent payments are to be made by cash, cashier's check, electronic funds transfer or money order, and that the tender of Tenant's personal or corporate check will no longer be accepted and shall not constitute payment of Rent. Any acceptance of personal or corporate check thereafter by Landlord shall not be construed as a subsequent waiver of said right, except as to the check so accepted.

2.5. If Tenant tenders any payment to Landlord by check, same shall be the check of Tenant. Landlord shall not be required to accept the check of any other entity other than the Tenant. Any check received by Landlord shall be deemed received subject to collection. If any check is mailed by Tenant, Tenant shall post such check in sufficient time prior to the date when payment is due so that such check will be received by Landlord on or before the date when payment is due. Tenant assumes all risk of lateness or failure of delivery of the mails, and no lateness or failure of the mails will excuse Tenant from its obligation to have made the payment in question when required under this Lease Agreement.

2.6. No payment by Tenant or receipt or acceptance by Landlord of a lesser amount than the correct Rent shall be deemed to be other than a payment on account, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be effective to create an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance or pursue any other remedy in this Lease or at law provided.

2.7. If Tenant is in arrears in payment of Rent, Tenant waives Tenant's right, if any, to designate the items to which any payments made by Tenant are to be credited, and Landlord may apply any payments made by Tenant to such items as Landlord sees fit, irrespective of and notwithstanding any designation or request by Tenant as to the items to which any such payments shall be credited.

3. Supplemental Rent:

3.1 The parties recognize that this is a "triple-net" lease and Tenant shall be fully responsible to pay as Supplemental Rent its Proportionate Share (as herein defined) of all reasonable costs, charges, maintenance, and operational expenses associated with the Landlord's Premises, except those specifically allocated to Landlord under Article 5 of this Lease. Therefore, and without limitation, commencing at the Commencement Date, Tenant shall pay to Landlord Seventy-Three and 94/100 percent (73.94 %) ("Tenant's Proportionate Share") of the total costs of the following items (which payments from Tenant are hereinafter referred to as "Supplemental Rent"):

A. All real estate taxes, impositions and special assessments of every nature imposed by any governmental authority on the Landlord's Premises during the Term, including land, building, and improvements thereon, but excluding any interest fines or penalties for late payment or non payment. Said real estate taxes shall include all real estate taxes and assessments that are levied upon and/or assessed against the Landlord's Premises, including any taxes which may be levied on Rents, except that as to assessments, Landlord shall elect to pay same over the longest period permitted by law and only the installment's payable during the Term, including interest, shall be added into Tenant's calculation. Landlord may file an appeal of the real estate taxes applicable to Landlord's Premises when it determines in Landlord's reasonable discretion that the fair market value of the Landlord's Premises is such that a tax appeal will likely reduce the equalized assessed value of the Landlord's Premises by at least fifteen (15%) percent and it is otherwise appropriate to appeal. In addition, Landlord shall not unreasonably withhold consent to a request by Tenant that Landlord institute an appeal of real estate taxes applicable to the Landlord's Premises if Tenant timely makes a request and provides Landlord with an appraisal from a licensed, MAI appraiser in New Jersey or other evidence reasonably satisfactory to Landlord that demonstrates that a tax appeal will likely reduce the equalized assessed value of the Landlord's Premises by at least fifteen (15%) percent. If a real estate tax appeal is filed respecting the Landlord's Premises, Tenant shall reimburse Landlord for Tenant's Proportionate Share of Landlord's reasonable costs incurred in appealing taxes and/or assessments on Landlord's Premises, including reasonable legal fees, expert witness fees and other proper reasonable costs, but Tenant will not be liable to pay a reimbursement in excess of any actual tax savings received by Tenant from such an appeal. If any such appeal is successful, Tenant's Proportionate Share of any recovery applicable to the Term net of such reasonable expenses shall be credited to Tenant's future obligation for Supplemental Rent hereunder (or, if such credits are less than the Tenant's Proportionate Share of the recovery applicable to the Term, then such excess shall be paid to Tenant within thirty (30) days after receipt of the refund by the Landlord).

B. All premiums for all policies of insurance maintained from time to time by the Landlord with respect to the Landlord's Premises, including:

(i) Insurance against loss or damage to the Landlord's Premises by fire, casualty, windstorm, tornado and hail and against loss and damage by such other, further and additional risks as may be now or hereafter embraced by an "all-risk," or "property damage - special form," or equivalent form of policy of insurance with extended coverage, including, without limitation terrorism coverage. The amount of such insurance shall be not less than one hundred percent (100%) of the full replacement cost (insurable value) of the insurable improvements at the Landlord's Premises. The determination of the replacement cost amount and the deductible amount shall be reasonably determined by the Landlord or as stipulated by the Landlord's mortgage lender. Each policy may at Landlord's option contain inflation guard coverage insuring that the policy limit will be increased over time to reflect the effect of inflation. This insurance shall (x) name only Landlord and Landlord's mortgagees, if any, as their respective interests may appear; (y) provide that no act of Tenant shall impede the right of Landlord or Landlord's mortgagees, if any, to receive and collect the insurance proceeds; and (z) provide that the right of Landlord and Landlord's mortgagees, if any, to the insurance

proceeds shall not be diminished because of any insurance carried by Tenant for Tenant's own account. Tenant acknowledges that it has no right to receive any proceeds from such insurance policy.

(ii) Comprehensive General Liability Insurance against claims for personal injury, bodily injury, death and property damage occurring on, in or about the Landlord's Premises in amounts not less than $5,000,000.00 per occurrence and $5,000,000.00 in the aggregate. Landlord hereby retains the right to periodically review the amount of said liability insurance being maintained and to increase the amount of liability insurance in an amount consistent with prevailing practices for similar tenancies in the geographic area of Landlord's Premises when Landlord deems an increase to be reasonably prudent under then existing circumstances.

(iii) If any portion of the building or improvements on Landlord's Premises or are situated in an area now or subsequently designated by the Federal Emergency Management Agency ("**FEMA**") as a special flood hazard area (such as Zone A, or Zone V), flood insurance in an amount equal to the lesser of: (i) the minimum amount required, under the terms of coverage, to compensate for any damage or loss on a replacement basis; or (ii) the maximum insurance available under the appropriate National Flood Insurance Administration program. The maximum deductible shall be $1,000.00 per building or, at Landlord's option, a higher minimum amount consistent with requirements of FEMA or other applicable law.

(iv) During the period of any construction, renovation or alteration of the exterior portions of the common areas of the Landlord's Premises a completed value, "All Risk" Builder's Risk form, or "Course of Construction" insurance policy in non-reporting form with replacement cost and no co-insurance, in an amount reasonably determined by the Landlord.

(v) Business income (loss of rents) insurance in amounts sufficient to compensate Landlord for all Rent and reimbursements generated from Landlord's Premises during a period of eighteen (18) months.

(vi) Such other insurance respecting this Lease and/or the Landlord's Premises or any replacements, substitutions, or additions thereto as may from time to time be reasonably required by Landlord against other insurable hazards, casualties or matters which at the time are commonly insured against in the case of property similarly situated.

Landlord may in its sole discretion, but shall not be obligated to, adopt a plan of self-insurance, providing and on the condition that such insurance must in all cases be fully funded by cash escrows or letters of credit established by the Landlord for the full amount of any self insured retention and shall utilize excess or umbrella policies of insurance for coverage amounts over the self insured retention, In such case, Tenant shall pay its Proportionate Share of all premium costs for any excess insurance or umbrella policies, and of all associated expenses, including the costs and bank fees for letters of credit, but Tenant shall not be required to contribute to the principal cash escrow in the amount of the self insured retention, which shall be the responsibility of Landlord. In the event of, and to the extent that Landlord self-insures as aforesaid, the costs and premiums payable by Tenant shall be the premiums quoted to Landlord for substantially identical coverage to that being self-insured except that Tenant shall have the right at any time to obtain and submit to Landlord a quotation for insurance in compliance with this Lease and identical in coverage amounts to that which is then being self-insured and if the quotation obtained by Tenant is less and Landlord does not accept that insurance as a replacement, then said lesser figure shall be the basis for Tenant's Proportionate Share contribution.

C. All costs incurred by Landlord in good faith and in its commercially reasonable discretion to operate, maintain, repair and replace improvements, common areas, parking lots, sidewalks, canopies, driveways, hallways and utility rooms, lines and facilities and other areas or things benefiting, in common, the tenants of the Landlord's Premises including, without limitation, the Landlord's Power Generation System and all related improvements which increase the energy efficiency of the Landlord's Premises (solar, wind, geothermal and the like) and which reduce the

carbon footprint of the Landlord's Premises (energy efficient systems, water conservation systems and the like). Said costs shall include, without limitation, all of Landlord's repair and operational obligations except as may be expressly payable solely by Landlord under this Lease. Said costs include the private assessment for the improvement made by Landlord to Commerce Boulevard and Central Boulevard in 2003 assessed against all properties owned by Landlord which is in the amount of $730.00 per annum for the Landlord's Premises and continues through December 1, 2013, at which time the said private assessment shall be satisfied and shall terminate. There shall also be included any parking charges, utilities surcharges, sewer and water charges, COAH/affordable housing development fees or assessments applicable to the Landlord's Premises and all other fees, costs and charges levied, assessed or imposed by, or at the direction of, or resulting from statutes or regulations, or interpretations thereof, promulgated by any governmental authority in connection with use, operation, development, repair, alteration or occupancy of the Landlord's Premises or the parking facilities serving the Landlord's Premises.

Notwithstanding the foregoing, as to any replacement or improvement which would constitute a capital item under generally accepted accounting principles in the United States, Tenant shall be responsible to pay Tenant's Proportionate Share of that portion of the cost based upon the proportion between the useful life of the improvements (UL) and the remaining term of the lease (RT), utilizing the following formula: (total cost x RT)/UL. For the replacement items specifically listed in the table below, the reimbursable share of the total cost for the replacement to which Tenant shall be obligated to contribute its Proportionate Share shall be based upon a proration of the useful life of each replacement ("UL") and the remaining portion of the Term of this Lease ("RT").

No.	Replacement item	Useful life, in years ("UL")
1.	Roof	15
2.	HVAC units	10
3.	Pavement for parking and loading areas	10
4.	Waterproofing or painting of exterior walls	5
5.	Loading doors	7
6.	Dock levelors	7
7.	Unit heaters	10
8.	Curbs and sidewalks	10
9.	Egress stairs	10

For all other replacement items not specifically mentioned in the above table, the useful life shall be deemed to be ten (10) years. Notwithstanding the foregoing, Tenant shall pay to Landlord the Tenant's Proportionate Share of the entire cost of any replacement item which amounts to less than One Thousand and 00/100 ($1,000.00) Dollars.

3.2 At or about the Commencement Date Landlord shall submit to Tenant a statement of the anticipated monthly Supplemental Rent for the period between such Commencement Date and the following January determined by Landlord in good faith and in its commercially reasonable discretion and Tenant shall pay this Supplemental Rent on the first day of each consecutive month concurrently with the payment of the Fixed Rent commencing on the Rent Commencement Date. Tenant shall continue to make said monthly payments until notified by Landlord of a change thereof. By March 1 of each year Landlord shall give Tenant a statement showing the total Supplemental Rent for the Landlord's Premises for the prior calendar year, prorated from the Rent Commencement Date. In the event the total of the monthly payments which Tenant has made for the

prior calendar year be less than the Tenant's actual share of such Supplemental Rent, then Tenant shall pay the difference in a lump sum within thirty (30) days after receipt of such statement from Landlord and shall concurrently pay the difference between the total previous monthly payments made in the then calendar year and the total of monthly payments calculated as Supplemental Rent based on the prior year's experience. Any overpayment by Tenant shall be credited towards the Rent next coming due. The actual Supplemental Rent for the prior year with anticipated cost increases or decreases in the coming year as reasonably determined by Landlord shall be used for purposes of calculating the anticipated monthly Supplemental Rent for the then current year with actual determination of such Supplemental Rent after each calendar year as above provided. In any year in which resurfacing of any parking area is contemplated Landlord shall be permitted to include the full anticipated cost of same as part of the estimated increased costs for calculating the anticipated monthly Supplemental Rent for the then current year. Even though the term has expired and Tenant has vacated the Demised Premises, when the final determination is made of Tenant's share of said Supplemental Rent for the year in which this Lease terminates, Tenant shall within ten (10) calendar days pay any increase due over the estimated Supplemental Rent previously paid and, conversely, any overpayment made shall be rebated by Landlord to Tenant within ten (10) calendar days, and this provision shall survive termination for said purpose. Delay or Failure of Landlord to submit statements as called for herein shall not be deemed to be a waiver of Tenant's obligation to pay all sums as herein provided. Tenant shall have the right to audit Supplemental Rent expenses within not more than six (6) calendar months after service of a reconciliation statement and in the event Tenant's audit reveals that Tenant overpaid by more than 4%, Landlord shall reimburse Tenant for its reasonable and actual audit costs. If Tenant fails to exercise its audit right within six (6) calendar months after service of a reconciliation statement, Tenant shall be conclusively deemed to have accepted the billed amounts as full and correct and shall be barred from thereafter asserting any inaccuracy or claim for credits or refunds as only that particular year covered by the reconciliation statement. In the event Landlord does not serve upon Tenant a reconciliation statement showing the total Supplemental Rent for the Landlord's Premises for the prior calendar year within twelve (12) calendar months after the end of the preceding calendar year: (a) Landlord shall be conclusively be deemed to have accepted the estimated payments for that calendar year as full and correct and shall be barred from thereafter serving a reconciliation statement or asserting any inaccuracy or deficit between the estimated and billed Supplemental Rent as to only that particular year for which no reconciliation statement was timely served; and (b) unless Landlord serves a reconciliation statement upon Tenant within thirty (30) calendar days after a demand by Tenant served during or after the twelfth (12 th) calendar month after the close of the year in question, the Landlord shall be deemed to have served a reconciliation statement affirming that no adjustments are due to the Supplemental Rent paid for the preceding year, and to audit same with the same rights as if a reconciliation statement had been properly and timely submitted by the Landlord.

3.3 Notwithstanding anything to the contrary set forth herein, Supplemental Rent shall in no event include any of the following:

(a) the original construction costs of the Building and improvements to Landlord's Premises prior to the Commencement Date, or the Allowance improvements, or Landlord's Power Generation Systems installed by Landlord pursuant to Section 6.4 through 6.12 cost of this Lease;

(b) principal and interest payments of mortgage debts or other loan obligations of Landlord, financing costs and amortization of funds borrowed by Landlord, whether secured or unsecured and all payments of base rent (but not taxes or operating expenses) under any ground lease or other underlying lease of all or any portion of the Landlord's Premises;

(c) depreciation and amortization (except as set forth herein);

(d) advertising, legal and space planning expenses and leasing commissions and other costs and expenses incurred in procuring and leasing the Building;

(e) taxes to be paid directly by Tenant, whether or not actually paid, provided and on the condition that non-payment of such taxes does not create a lien or encumbrance against the Landlord's Premises or against the Tenant improvements that become the property of the Landlord upon expiration or termination of this Lease;

(f) salaries, wages, benefits and other compensation paid to officers and employees of Landlord, or management fees paid, for the management of the Landlord's Premises;

(g) general organizational, administrative and overhead costs relating to maintaining Landlord's existence, either as a corporation, partnership, or other entity, including general corporate, legal and accounting expenses;

(h) costs and expenses, including legal fees, incurred in connection with negotiations or disputes with employees, consultants, management agents, leasing agents, purchasers, prospective future tenants or mortgagees of the Building;

(i) costs incurred by Landlord due to the violation by Landlord, its employees, agents or contractors of the terms and conditions of any legal requirements which are not the obligation of Tenant under this Lease;

(j) penalties, fines or interest incurred as a result of Landlord's inability or failure to make payment of taxes and/or to file any tax or informational returns when due, or from Landlord's failure to make any payment of taxes required to be made by Landlord hereunder before delinquency unless caused by a failure of the Tenant to timely pay Rent due to Landlord under this Lease in full;

(k) costs incurred in the sale or refinancing of the Building;

(l) income taxes of Landlord or the owner of any interest in the Landlord's Premises, franchise, capital stock, gift, estate or inheritance taxes or any federal, state or local documentary taxes imposed against Landlord, the Landlord's Premises or any portion thereof or interest therein, except taxes imposed in lieu of real estate taxes;

(m) The cost of any items for which Landlord is reimbursed by insurance or through warranties and the like;

(n) Any costs for goods and/or services representing an amount paid to any person, firm, corporation or other entity related to Landlord which is in excess of the fair market value of such goods and/or services; and

(o) Costs necessitated by or resulting from the negligence or willful misconduct of Landlord, its vendors, agents, employees and/or independent contractors.

4. Repairs, Maintenance Security and Surrender Obligations of Tenant:

4.1 The Tenant has examined the Demised Premises and has entered into this Lease without any representation on the part of the Landlord as to the present or future condition thereof, except as may be expressly set forth in this Lease, and accepts the Demised Premises in "as is", present condition subject to completion of the Allowance Improvements in accordance with the terms hereof.

4.2 The Tenant shall, at all times during the term of this Lease or any renewals thereof, at its sole expense, put and maintain in thorough repair and in good and safe condition, and shall make all necessary repairs, replacements, renewals, alterations, ordinary and extraordinary, to the Demised Premises and its equipment, appurtenances, pipes (servicing exclusively the Demised Premises),, plumbing systems (servicing exclusively the Demised Premises), HVAC systems (servicing exclusively the Demised Premises), electrical systems (servicing exclusively the Demised Premises, but excluding the Landlord's Power Generation Systems), interior finishes,

interior partitions, ceilings, window glass, fixtures, and all other appliances and appurtenances belonging thereto, however the necessity or desirability for repairs may occur, and whether or not necessitated by wear, tear, obsolescence, or defects, latent or otherwise. The Landlord shall contract for and keep in effect throughout the Term maintenance contracts on the HVAC systems and the loading dock equipment (including doors and levelers) exclusively servicing the Demised Premises and all servicing and repairs shall be at the sole cost and expense of the Tenant , which shall be reimbursed to Landlord as Supplemental Rent. Notwithstanding the foregoing the Landlord shall be solely responsible at its own cost and expense without reimbursement from Tenant through Supplemental Rent for the cost of repairing any latent defects in the floor slab within the Demised Premises, within the roof and roof system of the Building and within the structural walls and elements of the Building, and for other repairs necessitated by the breach of this Lease or the negligence of Landlord, its employees, agents or contractors.

4.3 All repairs and replacements by Tenant shall be in quality and class at least equal to the original work. On default of the Tenant in making such repairs or replacements after notice and the lapse of the applicable grace period (except in an emergency), the Landlord may, but shall not be required to, make such repairs and replacements for the Tenant's account, and the expense thereof shall constitute and be collectible as Additional Rent, payable upon demand.

4.4 The Tenant shall maintain all portions of the Landlord's Premises in a clean and orderly condition free of dirt, rubbish, and unlawful obstructions, in each case resulting from Tenant's activities or those of its sublessees, contractors, agents and invitees.

4.5 The Landlord shall not be required to furnish any services or facilities or to make any repair or alteration in or to the Demised Premises, except as expressly set forth in this Lease. The Tenant hereby assumes the full and sole responsibility for the condition, operation, repair, replacement, maintenance, security and management of the Demised Premises.

4.6 As between Landlord and Tenant, Tenant shall be solely responsible to monitor security conditions affecting the use of Landlord's Premises by Tenant, its employees, agents, contractors, subtenants and invitees (but not by anyone other than Tenant, its employees, agents, contractors, subtenants and invitees) and to provide all necessary security to the extent there is a legal obligation to do so, to secure such persons or their property against negligent or criminal acts and/or omissions of third parties, and Tenant shall indemnify, defend and hold the Landlord harmless from all claims concerning such matters, including, without limitation, reasonable counsel fees and litigation expenses incurred by Landlord to defend such claims, unless resulting from the negligence or misconduct of Landlord or its employees, agents or contractors. Nothing in this section shall impose any obligation upon Tenant to third persons which is not imposed under applicable law without reference to this Lease and no third party shall be construed as a third party beneficiary of this provision of this Lease.

4.7 In case any dispute shall arise at any time between the Landlord and the Tenant as to the standard of care and maintenance of the Landlord's Premises, such dispute shall be determined by arbitration before a licensed architect mutually agreed upon by Landlord and Tenant; provided that if the requirement for making repairs or replacements is imposed by any governmental authority or the holder of any mortgage to which this Lease is subordinate, then such requirement for repairs or replacements shall be complied with by the Tenant and shall not be considered an arbitratable dispute. The Tenant, however, shall have the right to dispute or contest the validity, application, or reasonableness of any such governmental requirement so long as Tenant pays or bonds against any fine or lien such that no fine or lien is imposed against the Landlord or Landlord's Premises, and the Landlord shall afford to the Tenant reasonable cooperation in this connection.

4.8 Tenant shall be solely responsible to inspect the Demised Premises and all other portions of Landlord's Premises used by Tenant and to immediately upon becoming aware

thereof provide written notice to Landlord of any defective or unsafe condition which Landlord may be obligated to repair, maintain or correct.

4.9 Upon any termination of the Term, irrespective of the cause, the Tenant shall timely vacate the Demised Premises, in good order and condition, reasonable wear and tear and damage by casualty and other matters for which Tenant is not liable hereunder excepted, with all structures, improvements including, without limitation mechanical, electrical, plumbing, HVAC, and other building systems in good working order, reasonable wear and tear and damage by casualty and other matters for which Tenant is not liable hereunder excepted, free of defects or conditions arising from deferred maintenance, in vacant, broom clean condition, and in compliance with the provisions of Sections 9.1 and 9.2 and Schedule "D" annexed hereto. The phrase "reasonable wear and tear" as used in this Lease shall mean conditions caused by the age and use of the specified items provided same are regularly maintained , repaired or replaced in the manner required by Section 4.2 of this Lease. The Demised Premises when returned to Landlord at the end of the Term shall be a first class warehouse office facility with all fixtures in good working order, reasonable wear and tear and damage by casualty and other matters for which Tenant is not liable hereunder excepted, with the exclusion of Tenant's trade fixtures, which shall be removed at Tenant's sole cost and expense without damage, injury or waste to the Demised Premises or the Landlord's Premises (unless repaired by Tenant in the manner required by Section 4.2 prior to the Termination Date when possession shall be returned to Landlord). Notwithstanding any contrary interpretation under common law, the term "trade fixtures" for all purposes in this Lease shall not apply to alterations, additions or improvements to the HVAC, plumbing or electrical systems at Landlord's Premises, nor to any other alterations, additions or improvements which are necessary for the occupancy of the Landlord's Premises, and all such alterations, additions and improvements shall be treated as alterations or improvements to the Demised Premises and the disposition of same at the end of the Term shall be controlled by the provisions of Section 9.1 of this Lease. Any racking systems and material handling equipment which Tenant may acquire from the prior tenant of the Demised Premises shall be Tenant's trade fixtures and shall be removed from the Demised Premises at Tenant's sole cost and expense without damage, injury or waste to the Landlord's Premises or any improvements thereon at the end of the Term (unless repaired by Tenant).

5. Repairs and Maintenance Obligations of Landlord:

5.1 Except as otherwise provided in Section 5.2, as a common area charge to which Tenant shall contribute its Proportionate Share in accordance with Section 3.1(C) of this Lease, the Landlord shall make all repairs, replacements, alterations or renewals and perform all maintenance to all exterior walls, structural steel, the roof, landscaped areas, parking and loading areas, common areas, sidewalks and curbs, exterior stairs for ingress and egress, site drainage facilities, HVAC systems (other than HVAC systems servicing a single tenant, which are the responsibility of the Tenant as provided in Section 4.2), dock seals and/or dock shelters, dock levelers, loading doors, and all other portions of Landlord's Premises not specifically listed in Article 4 as the exclusive responsibility of Tenant. Landlord shall also perform snow and ice removal from parking, loading, and sidewalk areas as a common area charge as to which Tenant shall contribute its Proportionate Share in accordance with Section 3.1(C). Any repairs to the foregoing areas resulting from the negligence or wrongful act or omission of Tenant or its agents, employees, contractors, subtenants and/or invitees shall be at the sole cost of the Tenant and shall be Additional Rent. At Landlord's option, routine maintenance for which Tenant shall reimburse Landlord Tenant's Proportionate Share may include, without limitation, all items noted in Schedule "C" annexed hereto and made a part hereof. Notwithstanding anything to the contrary Landlord shall be responsible at Landlord's sole cost and expense, without contribution from Tenant, to maintain the Landlord's Power Generation Systems servicing the Landlord's Premises.

5.2 Notwithstanding anything to the contrary Landlord shall at its sole cost and expense, without reimbursement from Tenant as an element of Supplemental Rent, repair and correct any latent defects in the floor slab within the Demised Premises, in the roof and roof system of the Building and in the structural walls and structural steel and other structural elements of the Building.

5.3 Landlord shall not be liable for any failure to make such repairs or to perform any maintenance except if the Landlord fails after written notice from Tenant to remedy a default within the time provided under Section 13.1 and Tenant expressly waives and releases any claims of injury to or interference with Tenant's business arising from the making of, or failure to make, any repairs, alterations or improvements in or to any portion of the Landlord's Premises or the Demised Premises or in or to fixtures, appurtenances and equipment therein. Notwithstanding the foregoing sentence, if Landlord's default materially and adversely impairs the Tenant's use of the Demised Premises (such being a "Material Impairment Condition"), Tenant may serve written notice upon the Landlord of such Material Impairment Condition. Landlord shall have one (1) business day to commence necessary repairs and thereafter shall be obligated to diligently prosecute such repairs to a conclusion. If Landlord defaults in its obligation, Tenant shall have the self-help rights afforded under Section 13.1. Landlord or its agents shall not be liable for any loss or damage to persons or property resulting from fire, explosion, steam, gas, electricity, water or rain which may leak from any part of the Landlord's Premises or from the pipes, appliances or plumbing works therein or from the roof, street or subsurfaces or from any other place resulting from dampness or any other cause whatsoever, unless caused by or due to the negligence or intentional misconduct of Landlord, its agents, servants or employees. Landlord or its agents shall not be liable for interference with the light, air, or for any latent defect in the Landlord's Premises.

5.4 The Landlord agrees that as of the Commencement Date the Demised Premises shall be delivered to the Tenant in clean and first class condition with all essential systems in good working order and with all of the Allowance Improvements Substantially Completed, as provided at Article 40 of this Lease. After the Substantial Completion Date, as defined in Article 40 of this Lease, Landlord shall within a reasonable time finish any punch list items respecting Landlord's improvements which remain outstanding.

6. Utilities and Personal Property Taxes:

6.1 Tenant shall timely pay directly to all utility suppliers the cost for all water, gas, heat, light, power, sewer charges, telephone service, fire alarm monitoring and all other services and utilities supplied to the Demised Premises, including without limitation hook-up and installation fees or charges, together with any taxes thereon, and all required escrows. If any utilities are not separately metered, Tenant shall reimburse the Landlord for its Proportionate Share of the utility costs. All such obligations shall be Additional Rent and in the event Tenant fails to make such payments, Landlord shall have the remedies available for non-payment of Additional Rent.

6.2 In the event the Demised Premises are connected to public utilities by means of lines passing through the Landlord's Premises outside the Demised Premises, it shall be the Landlord's responsibility to maintain said lines as a Tenant common area expense to which Tenant shall contribute its Proportionate Share under Section 3(C) of this Lease, provided however that Landlord's responsibility shall not extend further than to repair any breaks or obstructions in said lines with reasonable dispatch after being advised of same, and to refrain from any negligent action to cause any such break or obstruction. Tenant's repair responsibility in respect to any such lines shall be limited to their entry into the Demised Premises, provided however Tenant shall pay Tenant's Proportionate Share of the cost of any exterior repairs performed by Landlord. In no event shall Landlord be responsible for any interruption of service of any utility to the Demised Premises

occurring by reason of any act or condition not caused by Landlord's (or its employees', agents' or contractors') negligence or willful misconduct, and there shall be no abatement of any payments due from Tenant to Landlord hereunder by reason of any such interruption; provided that, in the case of a "Material Impairment Condition" the Tenant shall have the rights granted under Section 5.3 and Section 13.1 of this Lease.

6.3 Tenant shall pay, or cause to be paid, before delinquency, any and all taxes levied or assessed and which become payable during the term hereof upon all Tenant's leasehold improvements, equipment, furniture, fixtures, and any other personal property located in the Demised Premises. In the event any or all of the Tenant's leasehold improvements, equipment, furniture, fixtures and other personal property shall be assessed and taxed with the Landlord's Premises, Tenant shall pay to Landlord such taxes applicable to Tenant's property within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to Tenant's property.

7. Tenant Responsible for Damage to Glass or Other Property:

7.1 Without limiting the scope of Article 4 of this Lease in case of the destruction of or any damage to the glass in the Demised Premises, or the destruction of or damage of any kind whatsoever to the Demised Premises, the Tenant shall repair the said damage or replace or restore any destroyed parts of the Demised Premises, as provided in Section 4.2 (subject to repairs and restoration that are the Landlord's responsibility pursuant to Articles 4, 5 and 19), and shall be entitled to reimbursement of costs from any insurance proceeds paid and collected for such damage or loss.

8. Use of Demised Premises:

8.1 The Demised Premises shall be used and occupied only as a warehouse/ and office facility (with incidental related uses) and for no other use or purpose without Landlord's prior written consent, which consent shall not be unreasonably withheld. Tenant shall not use or permit the use of the Demised Premises or any part thereof in any way which would violate any certificate of occupancy for the Demised Premises, or any of the covenants, agreements, terms, provisions and conditions of this Lease or for any unlawful purposes, or in any unlawful manner and Tenant shall not suffer or permit the Demised Premises or any part thereof to be used in any manner, or anything to be done therein, or suffer or permit anything to be brought into or kept in the Demised Premises which, in the reasonable judgment of Landlord, shall in any way impair or interfere with the proper and economic heating, cleaning, air conditioning or other servicing of the Landlord's Premises, or impair or interfere with the use of any of the other areas of the Landlord's Premises; provided that, in no event shall the foregoing prevent tenant from using the Demised Premises as a warehouse/ and office facility.

8.2 If any governmental license or permit, including, without limitation, a certificate of occupancy shall be required for the proper and lawful conduct of Tenant's business or other activity carried on in the Demised Premises, and if the failure to secure such license or permit would, in any way, affect Landlord, Tenant, at Tenant's expense, shall duly procure and thereafter maintain such license or permit and submit the same to inspection by Landlord. Tenant, at Tenant's expense, shall, at all times, comply with the terms and conditions of each such license or permit. Landlord shall obtain and deliver to Tenant an Occupancy Certification and Certificate of Occupancy respectively from the New Jersey Meadowlands Commission and the Borough of Carlstadt at the Commencement Date and thereafter, if a further Certificate of Occupancy or Occupancy Certification is required due to alterations or work at the Demised Premises by Tenant (other than the Allowance Work for which Landlord shall obtain all required Licneses, permits and certificates), the Landlord will provide reasonable assistance to the Tenant in obtaining such a Certificate of Occupancy or Occupancy Certification with Tenant to pay the governmental fee.

8.3 Tenant shall not do, nor permit to be done, anything in connection with its occupancy of the Demised Premises which will cause a cancellation or non-renewal of any insurance policy covering said Landlord's Premises, or otherwise render Landlord's Premises uninsurable.

8.4 Tenant shall not permit injury to the Demised Premises or to the Landlord's Premises outside the Demised Premises by any action such as (1) Concentrating loads on floors, roofs or any other area beyond their capacity, (2) Depositing, or permitting the deposit of any item or substance into storm or sanitary sewer lines which might obstruct or damage same, (3) Discharging excessive quantities of water or any quality of effluent which might overtax or damage the sewer system or plant serving the Landlord's Premises, (4) Making or permitting any installation or hole in any roof, exterior walls, floor, or outside area, without prior written permission from Landlord, (5) Producing any vibration liable to damage or weaken the structure of the Demised Premises or of the Landlord's Premises or to undermine the ground supporting same.

8.5 Tenant shall not use or allow the Demised Premises to be used for any, unlawful purpose; nor shall Tenant cause, maintain or permit any nuisance in, on or about the Demised Premises; nor shall Tenant take actions which shall impair or cause revocation of any tax credits or abatements now or hereafter in effect for the Landlord's Premises.

8.6 Tenant shall not commit or allow to be committed any physical waste in or upon the Demised Premises.

8.7 Tenant shall not use the Demised Premises or permit anything to be done in or about the Demised Premises, which will in any way conflict with any applicable law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all applicable laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force and with the requirements of any board of fire underwriters or other similar bodies now or hereafter constituted relating to or effecting the condition, use or occupancy of the Demised Premises. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between the Landlord and Tenant.

8.8 Tenant warrants and guarantees that its North American Industry Classification Number (NAICS) is 493110, that the Tenant shall not use or permit the Demised Premises to be used as an Industrial Establishment as defined by the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. or any rules and regulations promulgated thereunder (collectively, "ISRA"), and that no explosive or highly flammable materials shall be stored, used, generated or disposed of at the Demised Premises.

8.9 Tenant warrants and guarantees that it is not now, and shall not be at any time throughout the Term, an entity with which a citizen of the United States is prohibited from transacting business by the Office of Foreign Assets Control, Department of the Treasury ("OFAC"), including, without limitation, the executive orders and/or lists published by OFAC. Tenant is and throughout the Term shall remain in compliance with all applicable provisions of the USA Patriot Act of 2001, Pub. L. No. 107-56, the Bank Secrecy Act of 1970, as amended, 31 U.S.C. Section 5311 et seq., the Trading with the Enemy Act, 50 U.S.C. App. Section 1 et seq., the International Emergency Economic Powers Act, 50 U.S.C. Section 1701 et seq., and the sanction regulations promulgated pursuant thereto by OFAC, or laws relating to prevention and detection of money laundering, 18 U.S.C. Sections 1956 and 1957.

8.10 Tenant shall not use, nor have access to the roof of the Demised Premises without Landlord's prior consent in each instance, which consent may be withheld by Landlord in its sole and absolute discretion.

8.11 Landlord represents and warrants that (a) the use and occupancy of the Demised Premises for the uses permitted hereunder does not conflict with any law, statute, ordinance or governmental rule or regulation now in force or any easements, covenants, restrictions, agreements or encumbrances affecting title to the Demised Premises, (b) a permanent certificate of occupancy for the Demised Premises as they will exist on the Commencement Date is, or prior to the Commencement Date will be, in force and will not be violated by the use and occupancy of the Demised Premises for the uses permitted hereunder, (c) all other licenses and permits required for Tenant's use and occupancy of the Demised Premises (other than any license or permit required for the conduct of Tenant's particular business) is, or prior to the Commencement Date will be, in force and will not be violated by the use and occupancy of the Demised Premises for the uses permitted hereunder, and (d) on the Commencement Date, the heating, ventilating, air condition, plumbing, electrical, mechanical and other systems serving the Demised Premises will be in good working order, repair and condition, and the roof will be free of leaks.

9. Alterations and improvements:

9.1 Tenant shall not make any alterations, decorations, additions or improvements, in or to the Demised Premises without first obtaining Landlord's written consent thereto, which consent may be arbitrarily withheld with respect to any proposed structural alterations or additions, but shall not be unreasonably withheld as to other alterations or additions; provided that no consent shall be required for purely decorative alterations, or other non-structural alterations which do not affect any building systems costing, in the aggregate, less than $200,000 provided that for any non-structural alterations or improvements not affecting any building systems having a value in the aggregate of more than $50,000 Tenant shall provide the Landlord with a copy of all permits and plans and specifications for such alterations and improvements before the work commences, and a copy of all governmental inspections and approvals upon completion of such work. Landlord may in its sole and absolute discretion provide notice to the Tenant not later than three (3) months prior to expiration of the Termination Date that Landlord elects to assume ownership of any or all of such alterations, decorations, additions or improvements, in which case such items shall become the property of the Landlord upon expiration of the Term and shall be turned over to Landlord in good condition and repair, reasonable wear and tear, damage by casualty, and other matters which are not Tenant's responsibility hereunder excepted. If Landlord does not elect to assume ownership by notice to Tenant as provided in the preceding sentence, all alterations, decorations, additions or improvements upon the Demised Premises made by either party (including, but not limited to, paneling, partitions, railings, and the like), shall be removed from the Demised Premises and the Demised Premises shall be restored to substantially the same condition as at the Commencement Date at the end of the Term, in the manner hereinafter provided at the sole cost of the Tenant. Notwithstanding the foregoing, the Tenant shall not be required to remove those Allowance Improvements located within the existing office areas of the Demised Premises. Tenant shall at Tenant's sole cost and expense engage competent contractors reasonably acceptable to the Landlord to remove all alterations, decorations, additions and improvements and to restore the Demised Premises and deliver same to Landlord on the Termination Date in accordance with the attached Schedule "D" (all such work hereinafter referred to as the "Restoration Work") at Tenant's expense; except that in the case of Restoration Work that involves structural work to the Building or work to areas outside of the Demised Premises, Tenant shall, at the Landlord's option in Landlord's sole discretion, either: (a) pay the Landlord the reasonable cost to perform the structural work at Tenant's sole cost and expense; or (b) Tenant shall at Tenant's expense

engage competent contractors reasonably acceptable to the Landlord to complete the structural or exterior restoration work..

9.2 If, because of any acts or omission of Tenant or anyone claiming through or under Tenant, any mechanic's or materialmen's notice of intention or mechanic's or materialmen's or other lien or order for the payment of money shall be filed against the Demised Premises, the Landlord's Premises, or against Landlord (whether or not such lien or order is valid or enforceable as such), Tenant shall, at Tenant's own cost and expense, cause the same to be canceled and discharged of record (by payment, bonding or otherwise) within thirty (30) days after the date of filing thereof, and shall also indemnify and save harmless Landlord from and against any and all costs, expenses, claims, losses or damages, including reasonable counsel fees, resulting therefrom or by reason thereof. If any governmental charge or assessment, including, without limitation COAH affordable housing fees and/or assessments are imposed as a result of any of Tenant's repairs, replacements or alterations in or to the Demised Premises, same shall be satisfied in full by Tenant as and when due.

9.3 In the event Tenant makes any repairs, replacements, or alterations in or to the Demised Premises, any contractors or subcontractors employed by Tenant shall not be reasonably objectionable to Landlord. Tenant's contractor(s) must only use such labor as will not result in jurisdictional disputes with any labor unions or in strikes against or involving the Landlord or Landlord's Premises. Tenant will inform Landlord, in writing, of the names of contractors and/or subcontractors Tenant proposes using to do work in its behalf in or about the Demised Premises at least seven (7) days prior to the beginning of any permitted work. Landlord reserves the right to reject any and all of the proposed contractors and/or subcontractors if a conflict would be likely to exist in Landlord's reasonable judgment. In the event of any strike or dispute, Tenant will cause any persons involved in such work to leave the Demised Premises immediately after receipt of notice from Landlord demanding the same.

9.4 Providing that it can do so at no incremental cost, all improvements and alterations to the Landlord's Premises made by or on behalf of Tenant shall to the extent reasonably practicable be designed to preserve and promote any sustainable or green building certification(s) now existing or hereafter obtained by the Landlord in its discretion for the Landlord's Premises, including without limitation, LEED certifications, Green Globe certifications of the Green Building Initiative, ASHRAE 90.1-2007 certification, Energy Star certifications and certifications under similar recognized standards promulgated by governmental entities or widely recognized private organizations.

9.5 Landlord shall respond to any request for consent to an alteration not later than thirty (30) days after receipt of Tenant's written request for such consent. In the event that Landlord fails to respond to Tenant's request for consent to an alteration within twenty (20) days after Landlord's receipt of such request, then from and after such twenty (20) day period, Tenant shall have the right to deliver a reminder notice to Landlord requesting Landlord's consent to such alteration, which reminder notice shall state in bold upper case letters at the top of the first page as follows: "**THIS IS A TIME SENSITIVE NOTICE AND IF LANDLORD SHALL FAIL TO TIMELY RESPOND, LANDLORD SHALL BE DEEMED TO HAVE APPROVED TENANT'S REQUEST.**" If Tenant shall have delivered such reminder notice to Landlord, and Landlord shall fail to respond to such reminder notice within ten (10) days after Landlord's receipt of such reminder notice, then Landlord shall be deemed to have consented to the alteration in question.

10. Laws and Ordinances:

10.1 Subject to Section 10.3, Tenant shall promptly comply with the statutes, ordinances, rules, order, regulations and requirements of the Federal, State and Municipal governments and of any and all their departments and bureaus applicable to the Demised Premises, for the correction, prevention and abatement of nuisances, violations or other grievances in, upon or connected with said Demised Premises during said term, arising from, incident to, or connected with the use and occupation of the Demised Premises by the Tenant. The Tenant shall also promptly comply with all reasonable rules, orders and regulations of the Board of Fire Underwriters for the prevention of fires, at its own cost and expense, arising from, incident to or connected with the use and occupation of said Demised Premises by the Tenant.

10.2 Subject to Section 10.3, Tenant shall, at Tenant's own expense, comply with the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. and with the Spill Compensation and Control Act (N.J.S.A. 58:10-23-11 et seq.) ("the Acts") and all regulations promulgated pursuant to the Acts. Tenant shall, at Tenant's own expense, provide all information within Tenant's control requested by Landlord or the Bureau of Industrial Site Evaluation for the preparation of submissions, declarations, reports and plans pursuant to the Acts. If the New Jersey Department of Environmental Protection (DEP) shall determine that a clean-up plan or Remedial Action Work plan be prepared and that a clean-up be undertaken because of any spills or discharges of Hazardous Substances caused by Tenant's officers, directors, employees, agents or invitees, or by other parties under Tenant's authority or control or which are otherwise the fault or responsibility of Tenant at the Landlord's Premises which occur during any period when Tenant was an occupant, then all such work shall be completed at Tenant's sole cost and expense in the manner provided at Section 28.4 of this Lease. Tenant shall indemnify, defend and save the Landlord harmless from all fines, suits, procedures, claims and actions of any kind arising out of or in any way connected with any spills or discharges of Hazardous Substances caused by the Tenant's or other parties under Tenant's authority or control at the Landlord's Premises which occur during the term of Tenant's occupancy. Tenant's obligations and liability under this paragraph shall survive and shall continue so long as Landlord remains responsible for any spills or discharges of hazardous substances or wastes at the Landlord's Premises which occur during the term of Tenant's occupancy.

10.3 Landlord warrants to the Tenant that as of the Commencement Date the Landlord's Premises (including the Demised Premises) shall be in compliance with all statutes, ordinances, rules, order, regulations and requirements of the Federal, State and Municipal governments and of any and all their departments and bureaus applicable to the Landlord's Premises and that the Landlord's Premises shall be in compliance with all Environmental Laws (as defined in Section 28.1). Landlord shall indemnify, defend and save the Tenant harmless from all fines, suits, procedures, claims and actions of any kind arising out of or in any way connected with any spills or discharges of Hazardous Substances at the Landlord's Premises which occur prior to the Commencement Date or which are not Tenant's responsibility pursuant to Section 10.2, other than as a result of any action or omission on the part of the Tenant, or its agents, servants, contractors or employees. Landlord's obligations and liability under this Section 10.3 shall survive and shall continue so long as the Tenant remains responsible for any such spills or discharges of Hazardous Substances at the Landlord's Premises.

11. Insurance:

11.1 Effective as of the date Tenant is first granted the right to enter the Landlord's Premises and throughout the Term of this Lease, Tenant shall maintain, at its sole cost and expense, general public liability insurance (also known as commercial general liability insurance) against claims for personal injury, death or property damage, with limits of not less than Five Million

($5,000,000.00) Dollars Combined Single Limit ("CSL") in respect of bodily injury and property damage. A combination of commercial general liability coverage and umbrella liability coverage is acceptable to comply with this limit.

11.2. The Landlord shall carry for the benefit of the Landlord, fire insurance, business interruption insurance for loss of Rents, and flood insurance in an amount equal to the replacement value of the building and not less than the requirements of any mortgagee holding a mortgage on the Landlord's Premises. Landlord shall be named as insured and loss payee under said policy. Tenant shall pay to the Landlord Tenant's Proportionate Share of the cost of said insurance in the manner provided at Article 3 of this Lease.

11.3 Landlord may carry commercial general liability insurance, in addition to Tenant's commercial general liability insurance requirement under Section 11.1, naming Landlord as the insured. Tenant shall be required to pay as Supplemental Rent Tenant's Proportionate Share of the cost of Landlord's policies of insurance under this Section 11.3.

11.4 All insurance required to be maintained by the Tenant shall be issued by insurers with a rating of A- X or better by Best's Insurance Key Rating Guide published by A. M. Best Company, which are licensed in New Jersey. Throughout the Term not less than thirty (30) days prior to the expiration dates of all expiring insurance policies Tenant shall deliver to Landlord original policies or, if applicable, certificates of insurance under Section 11.6, for replacement insurance policies in compliance with this Article 11. Within fifteen (15) days after the premium on each such policy or contract shall become due and payable and the amount thereof determined, such premium shall be paid by the Tenant and the Landlord shall be furnished with satisfactory evidence of such payment.

11.5 All policies of insurance required to be maintained by the Tenant shall name the Tenant as the insured and shall name the Landlord and Landlord's lender(s) as additional insureds as their respective interests may appear. All such policies shall contain an agreement by the insurers that such policies shall not be canceled or materially changed without at least thirty (30) days prior written notice to the Landlord; provided that if a 30 day notice is not obtainable without additional premium cost to Tenant, then the longest period available, if any, without additional premium cost to Tenant shall be provided, and, further, if only an agreement "to endeavor" to provide notice is available then same shall be provided, but if no such agreement will be provided, Tenant shall not be deemed in breach of this provision. Tenant shall provide at least thirty (30) days written notice to the Landlord prior to cancelation or material change in such policy(ies) of insurance.

11.6 Tenant may carry the insurance referred to in Section 11.1 of this Lease under any blanket policy of insurance or policies issued by its present or future insurance carriers. If the Tenant elects to provide insurance as herein set forth under any blanket policy or blanket coverage, the Landlord will be provided with evidence of such insurance in the form of an Accord 27 or equivalent certificate of insurance together with proof of payment of the premium and, subject to Section 11.5, said certificate or certificates shall provide that the Landlord shall receive written notice from the insurer prior to cancellation or material change in the coverage as provided in Section 11.5. All of Tenant's policies of insurance shall be primary notwithstanding that coverage may also exist under a policy held by Landlord.

11.7 If Tenant fails to timely obtain, maintain, pay premiums and deliver to Landlord proof of such actions within the time and in the manner required by this Article 11, the Landlord may, on three (3) business days notice to Tenant, procure any such insurance or insurances and/or pay the premiums and other charges incidental thereto, and any and all amounts so paid by the Landlord, together with interest thereon from the date of such payment at the rate of eighteen (18%) per cent per annum, shall be Additional Rent hereunder.

11.8 In the event Tenant's use and occupancy of the Demised Premises (other than use or occupancy for the uses permitted hereunder) causes any additional charge or increase in the insurance premiums on the Landlord's Premises, in excess of those rates which would normally be imposed for insuring a non-combustible building of similar construction, Tenant shall, from time to time, immediately upon receipt of notice from Landlord, do whatever is reasonably deemed necessary, and follow whatever reasonable recommendations may be made by the Landlord, in order that such excess charge or increase in insurance premiums may be removed and the lower premium rate restored; or, in the event conditions are such that nothing can be done by way of improvements or otherwise to remove such increased insurance premiums, or if the expense involved is excessive, then Tenant shall pay the full amount of such additional charges or increases in premium on demand as Additional Rent.

11.9 All policies of insurance required to be obtained by Tenant pursuant to this Lease shall be written by licensed insurance companies authorized to do business in New Jersey. All certificate of insurance, shall be delivered to Landlord within 10 days after issuance thereof.

11.10 Tenant and Landlord shall obtain waivers of subrogation for the benefit of one another, from any company issuing any policy of insurance obtained by either of them for or in connection with Tenant's use or occupancy of the Demised Premises, the Landlord's Premises or which may be obtained in accordance with the provisions of this Lease.

12. Landlord's Liability:

12.1 The Landlord shall not be liable for any personal injury to any person, including the Tenant or to its officers, agents, employees, contractors or invitees or for any damage to any property of any person, including the Tenant, irrespective of how such injury or damage may be caused, whether from action of the elements, or acts of negligence of or occupants of adjacent properties, or other causes, except if caused by or resulting from the Landlord's (or its employees', agents' or contractors') willful malfeasance or negligence . Under no circumstances shall Landlord or Tenant be liable for consequential damages, such as, but not limited to, loss of profits, injury to good will or intangible business interests or property, and each of Landlord and Tenant expressly waives and releases any and all such claims no matter how they arise; provided however that nothing herein limits the right of Landlord to recover lost Rent resulting from Tenant's breach of this Lease or loss of rents from a new Tenant in the event of an unauthorized hold-over beyond the Termination Date notwithstanding that all or a portion of such amounts might be considered to be lost profits..

12.2 Tenant hereby waives all claims against Landlord for damages to goods, equipment, improvements, wares, and merchandise in, upon or about the Demised Premises and for injuries to Tenant, its agents or third persons in or about the Demised Premises, from any cause arising at any time, except if both uninsured and caused by Landlord's willful malfeasance or negligence.

12.3 The term "Landlord" as used in this Lease shall be limited to mean and include only the owner or owners at the time in question of the Landlord's Premises and in the event of any transfer or transfers of the title to the Landlord's Premises, the then Grantor shall be automatically freed and relieved from and after the date of such conveyance or transfer of all liability for the performance of any covenants or obligations on the part of Landlord contained in this Lease thereafter to be performed, provided that the Grantee expressly assumes such obligations and any funds then in the hands of such Grantor, in which Tenant has an interest, shall be delivered to the Grantee.

12.4 Tenant agrees that it shall look solely to the estate and equity of the Landlord in the Landlord's Premises (and the rents and proceeds thereof) for the collection of any judgment (or other judicial process) against the Landlord or any predecessor Landlord in the event of any default or breach by Landlord with respect to any of the terms, covenants and conditions of this Lease to be observed and/or performed by Landlord and/or any other cause of action against the Landlord, and no other assets of Landlord or any predecessor Landlord shall be subject to levy, execution or other procedures for the satisfaction of Tenant's remedies. Tenant irrevocably waives and releases Landlord from any claims in excess of such interest in the Landlord's Premises (and the rents and proceeds thereof).

12.5 Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either party against the other on any matter whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, and Tenant's use or occupancy of the Demised Premises, including, without limitation, any claim of injury or damage, and any claim of breach of Lease or other obligation and other statutory remedy with respect thereto. Tenant shall not interpose any counterclaim of any kind (other than any compulsory counterclaim) in any action or proceeding commenced by Landlord to recover possession of the Demised Premises, but Tenant may bring any claim against landlord in a separate proceeding.

13. Default of Landlord:

13.1 Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant to Landlord specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such 30-day period and thereafter diligently prosecutes the same to completion. In no event shall Tenant have the right to terminate this Lease as a remedy for a Landlord default. Notwithstanding the foregoing, in emergency circumstances where the failure to repair or replace would result in a Material Impairment Condition (defined at Section 5.3) and it is impracticable to give Notice to the Landlord and permit Landlord to carry out the repair pursuant to Section 5.3, then Tenant shall have the right to perform Landlord's obligations and be reimbursed for the reasonable cost thereof, if applicable, as a common expense or, otherwise at Landlord's sole expense, so long as Tenant provides Landlord with notice thereof promptly after performing such obligations. If Landlord defaults in its obligation to reimburse Tenant for such costs, Tenant shall have the right to file an action in the Superior Court of New Jersey to recover such costs with interest at the rate specified in Section 11.7 of this Lease, and the prevailing party in such an action shall be entitled to recover and reasonable attorneys' fees, expert witness fees and costs of suit in such action.

14. Default of Tenant:

14.1 If Tenant shall be late in the payment of any installment of Fixed Rent or any regular monthly installment of Supplemental Rent and if such breach shall continue for seven (7) days, Tenant shall be conclusively deemed to be in material breach of this Lease. Notwithstanding the foregoing, before Landlord through legal action re-enters and resumes possession of the Demised Premises as a result of such non-payment, Landlord agrees that with respect to the first three (3) occasions of such default in any twelve month period Landlord shall serve Tenant with written notice of the default and allow Tenant one (1) business day from the date of service of the notice to cure the default by payment by wire transfer or bank check of the full amount due with any late fee which may have accrued as a result of such default.

14.2 If Tenant shall be late in the payment of any payment of Supplemental Rent (other than regular monthly installment payments covered by Section 14.1) or any Additional Rent, or shall fail to post any portion of the Security Deposit or otherwise breach Article 25 of this Lease, and if such breach shall continue for fifteen (15) days after Landlord shall have served Tenant with an invoice or written notice of the amount due, Tenant shall be conclusively deemed to be in material breach of this Lease. Notwithstanding the foregoing, before Landlord through legal action re-enters and resumes possession of the Demised Premises as a result of such non-payment, Landlord agrees that with respect to the first three (3) such defaults in any twelve month period Landlord shall serve Tenant with written notice of the default and allow Tenant one (1) business day from the date of service of the notice to cure the default by payment by wire transfer or bank check of the full amount due with any late fee which may have accrued as a result of such default.

14.3 If, during the term of this Lease, (a) Tenant shall make an assignment for the benefit of creditors, or (b) a voluntary petition be filed by Tenant under any law having for its purpose the adjudication of Tenant a bankrupt, or the extension of time for payment, composition, adjustment, modification, settlement or satisfaction of the liabilities of Tenant or the reorganization or liquidation of Tenant, or (c) a receiver be appointed for the property of Tenant by reason of the insolvency or alleged insolvency of Tenant, or if (d) any department of the state or federal government or any officer thereof or duly authorized Trustee or Receiver shall take possession of the business or property of the Tenant or if (e) an involuntary petition be filed against Tenant under any law having for its purpose the adjudication of Tenant as a bankrupt, or for the liquidation of Tenant; and (except with respect to items (a) and (b), supra, which shall be non-curable events of default) if same have not been removed, cured or discharged within sixty (60) days; or if (f) any Receiver or Trustee pursuant to any bankruptcy or insolvency law, whether Federal or State, shall attempt to thereafter assign this Lease to any party or attempt to sublet all or any part of the Demised Premises, then Tenant shall be conclusively deemed to be in material breach of this Lease.

14.4 If (a) Tenant shall default in the performance or observation of any other agreement or condition (other than payment of Rent or Additional Rent) on its part to be performed or observed, and if Tenant shall fail to cure said default within thirty (30) days after notice of said default by Landlord (or, in the case of a default not susceptible of a cure within thirty (30) days, if Tenant shall fail to commence a cure within thirty (30) days and diligently complete such cure within a reasonable time); or (b) if Tenant shall make default with respect to any other Lease between it and Landlord; or (c) in the event Tenant is more than seven (7) days late in respect to any three (3) months' Rent due hereunder, which three (3) months fall within a consecutive 6-month period, then, in any of said cases, (notwithstanding any waiver of any former breach of agreement or condition or waiver of the benefit hereof or consent in a former instance), Tenant shall be conclusively deemed to have materially breached this Lease.

14.5 In the event of any material breach by Tenant, Landlord may (a) permit Tenant to remain in possession and sue for all Rents, damages, attorneys' fees and collection costs as due; or (b) terminate this Lease by written declaration, but allow Tenant to remain in possession as Tenant at Will and sue Tenant for all Rents, damages, attorneys' fees and collection costs as due; or (c) Landlord may immediately, or at any time thereafter, through legal process, re-enter and resume possession of the Demised Premises and remove all persons and property therefrom either by summary dispossess proceedings or by a suitable action or proceeding at law or in equity, or in the case of permanent abandonment of the Demised Premises by the Tenant by peaceful self-help, without being liable for any damages therefor (no re-entry by the Landlord shall be deemed an acceptance of a surrender of this Lease unless accompanied by a written declaration signed by Landlord to that effect); or (d) upon re-taking possession, keep the Demised Premises vacant (subject to reasonable efforts at mitigation of Landlord's damages) and recover from Tenant all Rents, damages, attorneys' fees and

collection costs as hereinafter provided; or (e) upon re-taking possession Landlord may, as Tenant's agent and without effecting Tenant's liability hereunder, relet the whole or any part of the Demised Premises for a period equal to, or greater, or less than the remainder of the then term of this Lease, at such rental and upon such terms and concessions as Landlord shall deem reasonable, to any lessee or lessees which it may deem suitable and satisfactory for any use and purpose which it may deem appropriate. In no event shall the Landlord be liable in any respect for failure to relet the Demised Premises or in the event of such reletting, for failure to collect the rent thereunder. Any sums received by the Landlord on a reletting for any monthly installment of rent in excess of the Rent reserved in this Lease shall belong to Landlord. Without liability to Tenant or any other party and without constituting a constructive or actual eviction, Landlord may suspend or discontinue furnishing or rendering to Tenant any work then being performed by Landlord for Tenant, wherever Landlord is obligated to furnish or render the same, so long as Tenant is in material default under this Lease.

14.6 Delinquent Fixed Rent and Additional Rent not paid within ten days after its due date shall bear interest at the lower rate of either twelve (12%) per cent per annum or the maximum rate permitted by law, from the date on which it is due until the date on which it is paid; provided that landlord agrees to waive such interest the first time Tenant is so delinquent in any 12 month period. This provision shall not relieve Tenant from any payment of Fixed Rent, late charges or Additional Rent at the time due and in the manner specified herein.

14.7 Tenant hereby expressly waives the service of notice of intention to re-enter as provided for in any statute and also waives any and all rights or equity of redemption in case the Tenant shall be dispossessed by a Court. The terms "enter," and "re-enter," "entry," or "re-entry," as used in this Lease, are not restricted to their technical legal meaning.

14.8 The termination of this Lease by reason of Tenant's default hereunder shall not in any circumstance operate to relieve the Tenant from liability for performance of all of its obligations hereunder. Upon any such termination of this Lease, Tenant covenants that it will quit and surrender the Demised Premises and deliver possession thereof to Landlord.

14.9 No waiver by the Landlord or the Tenant of any default or breach by the other party shall constitute or be construed as a waiver of any other or future default or breach, nor shall lapse of time after breach or default by a party before the wronged party shall exercise its rights hereunder operate to defeat the right of such party. No waiver by either party shall be effective unless in writing.

14.10 The acceptance by Landlord of Rent or other charges from Tenant (in whole or in part) after any default or breach by Tenant of any lease clause or covenant, even though known to Landlord, shall not constitute a waiver of the default/breach. The acceptance by Landlord of Rent or other charges from Tenant (in whole or in part) shall not be deemed an accord and satisfaction in respect of any claims of Landlord against Tenant, notwithstanding the payment check or accompanying letter may bear a legend or endorsement to the contrary. The acceptance of payment as above shall not affect any notice of default or any action or proceedings or judgment or order taken in consequence of the default.

14.11 In the event of a breach or threatened breach on the part of Tenant or Landlord with respect to any of the covenants, agreements, terms, provisions or conditions on the part of or on behalf of such party to be kept, observed or performed, both parties shall also have the right of injunction. The specified remedies to which either party may resort hereunder are cumulative and are not intended to be exclusive of any other remedies or means of redress to which either may lawfully be entitled at any time, and either party may invoke any remedy allowed at law or in equity as if specific remedies were not herein provided for, so long as such remedies have not been waived by the terms of this Lease.

14.12 In the event of (1) the termination of this Lease under the provisions of Article 14 hereof, (2) the re-entry of the Demised Premises by Landlord under the provisions of this Article 14, or (3) the termination of this Lease (or re-entry) by or under any summary dispossess or other proceeding or action or any provision of law by reason of default hereunder on the part of Tenant, Landlord shall be entitled to retain all moneys, if any, paid by Tenant to Landlord, whether as advance Rent, security or otherwise, but such moneys shall be credited by Landlord against any Rent due from Tenant at the time of such termination or re-reentry, or at Landlord's option, against any damages payable by Tenant under this Lease or pursuant to law.

14.13 In the event of any termination of this Lease under the provisions of Article 14 or in the event that Landlord shall re-enter the Demised Premises lawfully or in the event of the termination of this Lease (or of re-entry) by or under any summary dispossess or other proceeding or action or any provision of law, Tenant will pay to Landlord as damages, at the sole election of Landlord, either:

(a) a sum which at the time of such termination of this Lease or at the time of any such re-entry by Landlord, as the case may be, is equal to the excess, if any, of (i) the aggregate of all Rent which would have been payable hereunder by Tenant had this Lease not so terminated for the period commencing with such earlier termination of this Lease or the date of any such re-entry, as the case may be, and ending with the date hereinbefore set for the expiration of the full term hereby granted discounted to present value as of the date of the Lease termination using a discount rate of four (4%) percent per annum, over (ii) the aggregate of all Rent of the Demised Premises for the same period based upon the then local market rental value of the Demised Premise discounted to present value as of the date of the Lease termination using a discount rate of four (4%) percent per annum. Landlord shall also be entitled to recover the reasonable value of restoring the Demised Premises and reletting same (including brokers' commissions) as an element of damage; or

(b) sums equal to the aggregate of all Rent which would have been payable by Tenant had this Lease not so terminated, or had Landlord not so re-entered the Demised Premises, payable upon the due dates specified herein following such termination of such re-entry and until the date hereinbefore set for the expiration of the full term hereby granted; provided, however, that if Landlord shall re-let all or part of the Demised Premises for all or any part of said period, Landlord shall credit Tenant with the net rents received by Landlord from such re-letting, such net rents to be determined by first deducting from the gross rents as and when received by Landlord all reasonable attorneys' fees and costs incurred in terminating this Lease and re-entering the Demised Premises and of securing possession thereof, as well as the reasonable expenses of re-letting, including altering and preparing the Demised Premises for new tenants, brokers' commissions and all other similar or dissimilar expenses properly chargeable against the Demised Premises and the rental therefrom in connection with such re-letting, it being understood that any such re-letting may be for a period equal to or shorter or longer than the remaining term of this Lease; provided, further, that (i) in no event shall Tenant be entitled to receive any excess of such net rents over the sums payable by Tenant to Landlord hereunder, (ii) in no event shall Tenant be entitled in any suit for the collection of damages pursuant to this subsection (b) to a credit in respect of any net rents from a re-letting except to the extent that such net rents are actually received by Landlord prior to the commencement of such suit, and (iii) if the Demised Premises or any part thereof should be re-let in combination with other space, then proper apportionment on a square foot area basis shall be made of the rent received from such re-letting and of the expenses of re-letting. Suit or suits for the recovery of such damages, or any installments thereof, may be brought by Landlord from time to time at its election, and nothing contained herein shall be deemed to require Landlord to postpone suit until the date when the term of this Lease would have expired if it had not been terminated under the provisions of Article 14, or under any provision of law, or had Landlord not re-entered the Demised Premises.

Nothing herein contained shall be construed as limiting or precluding the recovery by Landlord against Tenant of any sums or damages to which, in addition to the damages particularly provided above, Landlord may lawfully be entitled by reason of any default hereunder on the part of Tenant.

14.14 Upon entry of a final judgment for possession after any default by Tenant, and until the actual taking of physical possession of the Demised Premises by the Landlord, without limiting Tenant's obligations under this Lease, and in addition to all other obligations under this Lease, the Tenant shall: (i) remain fully responsible to maintain the Demised Premises in the condition and state of repair required by this Lease; (ii) maintain all insurance coverages required by this Lease and indemnify Landlord against all claims for personal injury and property damage relating to or arising out of any occurrence at the Demised Premises and perform all other indemnification obligations under this Lease; and (iii) allow Landlord to immediately inspect all areas of the Demised Premises (without any obligation on Landlord's part to do so) and reimburse the Landlord for the cost of any repairs reasonably deemed necessary by the Landlord to cure any unsafe or unlawful conditions.

15. Landlord's Access to Demised Premises:

15.1 Landlord and its representatives may enter the Demised Premises upon twenty-four (24) hours prior notice (except in case of emergency, when no prior notice shall be required) for the purpose of inspecting the same and, if Landlord so elects, but without any obligation so to do, for the purpose of making any necessary repairs to the Demised Premises and performing any work therein. Landlord will exercise its rights hereunder in a commercially reasonable manner so as to minimize interference with Tenant's business operations, but nothing herein shall require the Landlord to schedule all work during non-business hours and to thereby incur overtime or similar extra charges.

15.2 Landlord may enter and exhibit the Demised Premises during usual business hours upon twenty-four (24) hours prior notice for Landlord's purposes, including but not limited to, inspecting the Demised Premises or showing the Demised Premises to prospective mortgagees, purchasers, lessees or brokers. During the final twelve (12) months of the term, Landlord may also display the usual "To Let" or similar signs on the Demised Premises. Tenant agrees that such signs may remain unmolested upon the Landlord's Premises.

16 Hold Harmless:

16.1 This Lease is made upon the express covenant and condition that Tenant shall keep, save and hold Landlord harmless and free from all liability, penalties, losses, damages, costs, expenses, causes of action, claims and/or judgments arising by reason of any injury or damage to any person or persons, or property, of any kind whatsoever, and to whomsoever belonging, from any cause or causes whatsoever and whether arising from or by reason of any existing or future condition, default, matter, or thing in or about the Demised Premises, including, without limitation, damage from water and/or steam seepage or leakage in or into the Demised Premises, whether or not arising out of Landlord's acts or failure to act, except if caused by Landlord's (or its employees', agents' or contractors") negligence or intentional acts or omissions, or any default by Landlord hereunder.

16.2 Tenant agrees to and shall save, hold and keep harmless and indemnify the Landlord from and for any and all payments, expenses, costs, reasonable attorney's fees claims and liability for losses or damage to property or injuries to persons occasioned wholly or in part by or resulting from any willful or negligent acts or omissions or default hereunder by the Tenant or the Tenant's agents, employees, guests, licensees, invitees, subtenants, assignees or successors, or for any cause or reason whatsoever arising out of or by reason of the use or occupancy of the Demised Premises by the Tenant, its sublessees and assignees.

16.3 Without limiting the foregoing, Tenant agrees that if Landlord is involuntarily made a party defendant to any litigation concerning this Lease or the Landlord's Premises relating to any alleged act or omission of Tenant, then Tenant shall hold Landlord harmless from all liability, costs and expenses by reason thereof.

17. Assignment:

17.1 Tenant shall neither voluntarily, nor by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Lease or any interest therein, and shall not sublet the said Demised Premises or any part thereof, or any right or privilege appurtenant thereto, or allow any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the said Demised Premises, or any portion thereof, without first (a) obtaining the written consent of Landlord and (b) providing Landlord with the written consent of the Guarantor to such a transfer, assignment or sublease agreeing that the Guaranty shall continue in full force and effect after the transfer, assignment or sublease takes effect, or, if the Guarantor is replaced by a substitute Guarantor in compliance with the terms of the Guaranty annexed as Schedule E, providing the written agreement of the substitute Guarantor to continue the Guaranty in full force and effect after the transfer, assignment or sublease takes effect. If Tenant is a corporation or partnership, any transfer, legal or equitable, of the stock of said corporation or of any partnership interest which, together with any and all prior such transfers shall constitute a change in excess of fifty (50%) percent or more of the legal or equitable ownership of the corporation or partnership from the date of the signing of this Lease shall be deemed an assignment for purposes of this Lease, although consent of Landlord need not be obtained under the circumstances proved in Section 17.2.

17.2 Notwithstanding the foregoing in Section 17.1, no Landlord consent shall be required: (a) for subleases, licences or assignments to affiliates or subsidiaries of the Tenant, provided that Tenant shall provide Landlord with fifteen (15) days advanced notice with sufficient information to confirm that: (i) there shall be no change in the permitted use of the Demised Premises, (ii) Tenant and Guarantor shall remain liable jointly and severally with the assignee/subleasee for payment and performance of all Tenant obligations under this Lease, (iii) the proposed assignment/sublease shall not impair Landlord's security, (iv) the proposed assignee or subtenant shall not introduce any new Hazardous Substances onto Landlord's Premises in violation of applicable laws which is inconsistent with the existing operations of Tenant at the Landlord's Premises and (v) the Guarantor shall have provided Landlord with its written consent to the transaction and shall have agreed that the Guaranty shall continue in full force and effect after the transfer, assignment or sublease takes effect, or, if the Guarantor is replaced by a substitute Guarantor in compliance with the terms of the Guaranty annexed as Schedule E, providing the written agreement of the substitute Guarantor to continue the Guaranty in full force and effect after the transfer, assignment or sublease takes effect; (b) for any assignment to any successor to Tenant by purchase (controlling stock sale or bulk sale of substantially all of Tenant's assets), merger, consolidation or reorganization, provided that Tenant shall provide Landlord with fifteen (15) days advanced notice (unless the provision of advance notice would violate any security regulation or law, and in any such case the notice to Landlord shall be given on the earliest date after closing when notice may be provided without violation of security regulation or law) with sufficient information to confirm that: (i) there shall be no change in the permitted use of the Demised Premises, (ii) Guarantor shall remain liable jointly and severally with the assignee/subleasee for payment and performance of all Tenant obligations under this Lease, (iii) the proposed assignment/sublease shall not impair Landlord's security, (iv) the proposed assignee or subtenant shall not introduce any new Hazardous Substances onto Landlord's Premises in violation of applicable laws which is inconsistent with the existing operations of Tenant at the Landlord's Premises and (v) Guarantor shall have provided to Landlord Guarantor's written consent to such

transaction agreeing that the Guaranty shall continue in full force and effect after the transfer, assignment or sublease takes effect, or, if the Guarantor is replaced by a substitute Guarantor in compliance with the terms of the Guaranty annexed as Schedule E, providing the agreement of the substitute Guarantor to continue the Guaranty in full force and effect after the transfer, assignment or sublease takes effect; and (c) if Tenant becomes a publicly traded entity on a United States stock exchange.

17.3 Landlord shall not unreasonably withhold consent to an assignment of the entire leasehold interest or to a sublease, providing that Landlord determines in its reasonable discretion that such sublease or assignment does not lessen Landlord's security (including the security provided by the Guaranty), that the use of the Demised Premises shall comply with the terms of this Lease, that the Tenant remains jointly and severally liable with assignee or sublessee for performance of all obligations imposed upon the Tenant under this Lease, that the proposed assignee or sublessee is financially responsible and is sufficiently experienced to operate the business from the Demised Premises successfully and in a manner which shall not detract from the value of the Demised Premises or any other property owned or occupied by Landlord.

17.4 Consent to one assignment, subletting, occupation or use by any other person shall not be deemed to be consent to any subsequent assignment, subletting, occupation or use by another person. Consent to any such assignment or subletting shall in no way relieve Tenant or the Guarantor of any liability under this Lease or the Guaranty.

17.5 Any such assignment or subletting without such consent, if required hereunder, shall be void, and shall, at the option of the Landlord, constitute a default under the terms of this Lease. Landlord shall not be obligated to consider and respond to any request for consent under this paragraph unless such request is in writing, contains a full explanation of the proposal and provides sufficient information about the financial standing and experience of the proposed assignee or subtenant for Landlord to make an informed judgment.

17.6 Tenant acknowledges that, unless it is determined that Landlord acted in bad faith, Tenant's sole remedy with respect to any assertion that Landlord's failure to consent to any assignment or sublet is unreasonable shall be the remedy of specific performance and Tenant shall have no damage claim or further claim of any nature or cause of action against Landlord as a result of Landlord's actions in refusing to consent, except that Tenant shall be entitled to assert a claim for legal fees and costs if the Tenant is the prevailing party in any such action, and if the Court determines that Landlord's bad faith necessitated the filing of such an action. Further, Landlord consents to the institution of expedited, summary proceedings in the Superior Court of New Jersey by the Tenant in any action under this Section 17.6 and waives any objection to a hearing on the issue of the reasonableness of its actions regarding a consent to assignment or sublet within fifteen (15) business days of the service and filing of such an action by the Tenant.

17.7 In the event of any approved assignment or sublease (excluding any assignment, license or sublease within the scope of Section 17.2), fifty (50%) percent of all rents or other payments received by Tenant in excess of the payments due from Tenant to Landlord pursuant to this Lease (after recoupment by Tenant of its reasonable transaction costs and the unamortized cost of any leashold improvements transferred to the assignee or subtenant) shall be paid to Landlord as Additional Rent. On demand, any assignee or subtenant shall make payments directly to Landlord without, however, creating a direct Landlord-Tenant relation between them or releasing Tenant under this Lease.

17.8 In the event that request is made for the Landlord's consent to a sublease or assignment hereunder, Tenant shall pay Landlord's reasonable attorneys' fees incurred in connection with the processing of documents necessary to giving of such consent. Tenant shall also

pay Landlord's reasonable attorneys' fees for similar reviews, such as, without limitation, proposed waiver agreements in favor of Tenant's lenders, proposed consents to subleases and the like.

18. Condemnation:

18.1 This Lease and the term hereof shall terminate: (1) if the entire Demised Premises shall be taken by condemnation, or (2) at the option of Tenant (exercisable by notice given to Landlord within thirty (30) days after the date of any such taking), if a material part of the Demised Premises shall be taken in any condemnation proceeding(s), or so much of the parking area as shall leave Tenant with fewer than 125 parking spaces has been taken and Landlord has not provided replacement spaces for the exclusive use of Tenant that are comparable and located within reasonable proximity to the Demised Premises; or (3) at the option of Landlord (exercisable by notice given to Tenant within thirty (30) days after the date of taking) if more than fifteen (15%) per cent of the Landlord's Premises shall be taken by condemnation. A taking of a "material part" of the Demised Premises shall mean the condemnation of so much of the Demised Premises as shall materially and adversely prevent Tenant from operating its business in the Demised Premises after restoration of the Building to a complete architectural unit.

18.2 Upon the termination of this Lease in accordance with this Article, Rent shall be adjusted as of such termination. The entire condemnation award shall be the sole and exclusive property of Landlord and shall be payable solely to Landlord except any allocations or awards for Tenant's trade fixtures and moving expenses. Tenant shall not make any claim in any condemnation proceeding for the value of the unexpired portion of the Lease or the term hereof, and waives all right thereto.

18.3 In the event that any portion of the Demised Premises is taken in condemnation and if this Lease is not terminated, then this Lease shall remain in full force and effect as to such remaining portion, except that from and after the effective date of any such taking, Tenant shall be entitled to an equitable reduction in the Fixed and Supplemental Rent required to be paid hereunder in accordance with any reduction in square foot area of the Demised Premises caused by such taking. Landlord shall promptly restore the portion of the Demised Premises remaining after such taking to a complete architectural unit. Any restoration by Landlord shall be limited to the basic building structure as demised by Landlord to Tenant as of the Commencement Date.

18.4 In the event this Lease is not terminated as aforesaid and Landlord does not restore the Demised Premises within a period of ninety (90) working days after the date of taking, then and in that event, Tenant may, as its sole remedy, have the right to terminate this Lease by notice in writing delivered to Landlord prior to completion of such restoration.

18.5 Provided Tenant's facilities are not materially and adversely affected and the size of the Demised Premises is not reduced to an extent that materially impacts Tenant's use and enjoyment of the Demised Premises, Landlord shall have the right to install, maintain and alter or relocate within the Demised Premises any gas, water, electric or sewer lines which may be necessary to service the Demised Premises; provided that to the extent reasonably practical same shall be located above existing drop ceilings or behind walls.

19. Fire or Casualty Loss:

19.1 If all or part of the Demised Premises is damaged or destroyed by fire or other casualty the cost of which to repair is reasonably determined by the Landlord to exceed Twenty-Five Thousand and 00/100 ($25,000.00) Dollars, this Lease and all of its terms, covenants and conditions shall, subject to the provisions hereinafter set forth, continue in full force and effect, and the obligations of the Landlord and the Tenant shall be as provided in this Article 19. In the case of a fire or casualty loss the cost of which to repair is reasonably determined by the Landlord to be equal to or

less than Twenty-Five Thousand and 00/100 ($25,000.00) Dollars, then the provisions of Articles 4 and/or 5 of this Lease shall control the responsibility of Landlord and Tenant for the completion of repairs and replacements, but all fire and casualty insurance proceeds, if any, shall be utilized to reimburse the respective parties for their costs of repair, with any excess to belong to the Landlord.

A. In the event that the damage to the Demised Premises is so extensive as to amount practically to the total destruction of the Demised Premises, then unless the Landlord serves notice upon Tenant within sixty (60) days of the casualty loss that Landlord can and will restore the Demised Premises within not more than twelve (12) months after the date of the loss, either party shall have the right to terminate this Lease, in which event, this Lease shall cease and the Rent shall be apportioned to the time of the destruction. For the purposes of this paragraph, damage or destruction rendering fifteen (15%) percent or more of the Demised Premises unusable shall be deemed total destruction.

B. In the event that the Demised Premises is injured, but not so destroyed (as set forth in Paragraph A immediately above) as to terminate the Lease, or Landlord serves notice that it can and will restore the Demised Premises within the time specified in Paragraph A, or neither party elects to terminate as provided for in Paragraph A above, then, provided that the term of this Lease shall have at least two (2) years to run, and that applicable laws shall permit, then, and in those events, the Landlord shall repair and rebuild the Demised Premises with reasonable diligence and in any event within not more than twelve (12) months from the date of the casualty loss.

19.2 To the extent that the loss or destruction of the Demised Premises so substantially interferes with the operation of the Tenant's business, that Tenant is required to and actually does stop using all or any portion of the Demised Premises, the Fixed Rent and Supplemental Rent allocable to any such portion that Tenant stops using shall be abated from the date of such closing to the date the damage shall have been substantially repaired so as to enable the Tenant to again use such portion.

19.3 Tenant acknowledges and agrees that Landlord will not carry insurance of any kind on Tenant's fixtures, furniture, furnishings, trade fixtures, equipment, improvements, or appurtenances removable by Tenant under the provisions of this Lease, and that Landlord shall not be obligated to repair any damage thereto or replace the same.

20. Estoppel Certificate:

20.1 Either party hereto, and/or its successors in interest, shall at any time and from time to time, forthwith upon request from the other party and/or its successor in interest, execute, acknowledge and deliver a statement in writing (a) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect), and the date to which the Rent and other charges are paid in advance, if any, and (b) acknowledging that there are not, to such party's knowledge, any uncured defaults on the part of either party hereunder, or specifying such defaults if any are claimed, and (c) setting forth the date of commencement of Rents and expiration of the term hereof. Any such statement may be relied upon by the prospective purchaser or encumbrancer of all or any portion of the real property of which the Demised Premises are a part, or other interested party.

21. Signage

21.1 Under no circumstances shall Tenant place or erect, or allow to be placed, or erected, a sign of any nature whatsoever upon any portion of the building owned by Landlord, and Landlord will not consent to or permit any such signs. Tenant shall be permitted to place signage on the existing monument sign subject to prior written approval from Landlord in connection with any proposed sign, its location, and its manner of installation. Ground signs which are

similar to existing ground signs will be permitted subject to prior written approval from Landlord in connection with any proposed sign, its location, and its manner of installation. Landlord may remove any signs installed by Tenant which are in violation of the provisions of this Article. In no event shall any permitted sign be installed on the roof or above the parapet height of the building(s) at Landlord's Premises. Any sign which Tenant may be permitted to install on the Landlord's Premises shall nonetheless conform to any and all requirements of any governmental body of any nature whatsoever having jurisdiction thereover, notwithstanding Tenants' having obtained written consent from Landlord therefor. Tenant shall have the right, as the need may occur, to apply for any sign variances, at its sole cost and expense, provided the Landlord shall have first approved the proposed sign. Landlord's consent to signs shall not be unreasonably withheld.

22. Brokerage Commission:

22.1 Landlord and Tenant each warrant and represent one to another that neither has dealt with, employed or negotiated with any real estate broker, salesman, agent or finder in connection with this Lease Agreement except Studley, Inc. (the "Broker"). Landlord agrees to pay the commission due to the Broker pursuant to a separate agreement. Landlord shall indemnify, hold harmless and defend Tenant, and Tenant shall indemnify, hold harmless and defend Landlord, from and against any claim or claims for broker or other commission arising from or out of any breach of the foregoing representation and warranty by the respective indemnitors. The representations and obligations contained in this paragraph shall survive the expiration or termination of this Lease.

23. Unavoidable Delays:

23.1 In the event that Landlord shall be delayed or prevented from performing any of its obligations pursuant to the provisions of this Lease Agreement or in the event Tenant is delayed or prevented from performing any of its obligations pursuant to the provisions of this Lease Agreement, other than and excluding Tenant's obligations for Rent, its insurance obligations, its obligations regarding environmental matters and its obligations regarding the timely return of possession to Landlord upon any termination of this Lease, due to governmental action, or lack thereof, or due to shortages of or unavailability of materials and/or supplies, labor disputes, strikes, slow downs, job actions, picketing, secondary boycotts, fire or other casualty, delays in transportation, acts of God, failure to comply or inability to comply with any orders or requests of any governmental agencies or authorities, acts of declared or undeclared war, public disorder, riot or civil commotion, or by any other cause beyond the reasonable control of such party, then such party shall in any or all such events be excused from its obligation to perform and comply with such provisions of this Lease Agreement for a period of time commensurate with any delay so caused without any liability to the other party therefor whatsoever and all time periods provided for herein for performance of any such obligations shall be extended accordingly.

24 Subordination:

24.1 Tenant covenants that its rights under this Lease Agreement are hereby and will be subordinate to the operation and effect of any mortgage or mortgages now existing or hereafter placed upon the Landlord's Premises without any further written document from Tenant. However, Tenant shall, upon request by Landlord, execute such reasonable documents as may be required to effect such subordination to the satisfaction of any such mortgagee.

24.2 Tenant agrees not to unreasonably withhold consent to modifications hereof made by any reputable bona fide mortgage lending institution provided that such requirements shall not increase Tenant's financial obligations hereunder, or increase Tenant's other obligations hereunder or decrease Tenant's rights hereunder by more than a de minimis extent.

24.3 Tenant shall, upon request of Landlord, furnish to Landlord at any time during the term, the most recent financial statement(s) of Tenant for a period of up to two (2) years last past. If certified statements certified by a certified public accountant are available, then certified statements will be provided by Tenant. All such statements, which are not included in public filings or otherwise made public by Tenant shall be kept strictly confidential by Landlord and, if provided to an existing or prospective lender or purchaser of Landlord's Premises, Landlord shall obtain confidentiality agreements from such entities that are reasonably acceptable to Tenant before providing copies of financial documents to such entities..

24.4 Tenant covenants and agrees to attorn to any successor to Landlord's interest in this Lease.

24.5 Landlord agrees to obtain a subordination, attornment and non-disturbance agreement (a "SNDA") from existing and future mortgagees in the commercially reasonable standard form utilized by such mortgagees for the benefit of Tenant and to deliver same to Tenant within a reasonable time (not to exceed 30 days) after execution of this Lease.

24.6 Landlord and Tenant agree that this Lease any and all obligations of the parties hereunder are subject to and contingent upon Landlord obtaining written approval from the Landlord's first mortgage lender ("First Mortgagee Approval"). In the event Landlord is unable to obtain the First Mortgagee Approval within thirty (30) calendar days from the date this Lease is fully executed by both Landlord and Tenant, the Lease shall be null and void and of no force or effect unless the parties agree to extend the time for satisfaction of this contingency. Upon satisfaction of the contingency the Landlord shall notify Tenant in writing and the Lease Agreement shall thereupon be binding upon the parties and shall remain in full force and effect.

25. Limited Guaranty of Performance and Payment:

25.1 As additional consideration for this Lease, the Tenant's parent company, LVMH Moet Hennessy Louis Vuitton S.A. (the "Guarantor"), shall provide to Landlord contemporaneously with the execution of this Lease an unconditional guaranty of payment and performance of all of Tenant's obligations hereunder subject to a maximum guaranty amount of Six Million and 00/100 Dollars ($6,000,000.00) in the form annexed hereto as Schedule "E".

26. Landlord's Power Generation Systems

26.1 Landlord is hereby granted the exclusive right, but is not hereby obligated, to install and maintain, at its sole cost and expense, solar energy and other renewable energy generation systems at the Demised Premises (collectively, "Landlord's Power Generation Systems") including, but not limited to, a solar array located on the roof of the Building which may include, without limitation, an integrated assembly of photovoltaic panels, mounting assemblies, inverters, converters, meters, lighting fixtures, transformers, ballasts, disconnects, combiners, switches, wiring devices and wiring to bring power from the rooftop arrays to the Demised Premises, meters, inverters, wiring, and any other property now or hereafter installed, owned, operated, or controlled by Landlord for the purpose of, or incidental or useful to the generation and delivery to Tenant of electricity produced by the Landlord's Power Generation Systems (the "Landlord's Electricity") to the existing electrical systems serving the Demised Premises (the "Electrical Interconnection Point"). The Landlord's Power Generation Systems shall be solely owned by the Landlord. The Landlord's Power Generation Systems shall be installed, and shall at all times be maintained and operated by the Landlord from the Landlord's Premises, in such a way as to not cause any unreasonable interference with the operations of the Tenant at the Demised Premises.

26.2 It is anticipated that Landlord's Electricity will not furnish the Tenant's entire requirement for electricity and Tenant shall at Tenant's sole discretion supplement Landlord's

Electricity by purchasing electricity from its local public utility or from third party electricity suppliers authorized by the New Jersey Board of Public Utilities to sell electrical energy to consumers and/or businesses within the Borough of Carlstadt, Bergen County, New Jersey (hereinafter, "Electric Utility Providers") in an amount equal to the difference between Landlord's Electricity and the amount of electrical energy used by Tenant at the Demised Premises ("Net Electricity"); provided that in all events Tenant shall first purchase the total output of electrical energy produced by and available from the Landlord's Power Generation Systems before purchasing electrical energy from such Electric Utility Providers. Tenant shall not select an electrical utility or other electricity supplier that requires, as part of their conditions of service, removal or discontinuance of the operation of the Landlord's Power Generation Systems or discontinuance of the purchase of electricity from Landlord in accordance with the terms of this Article 26. The Landlord's Power Generation Systems shall be installed as parallel systems in combination with the existing electrical power supply to the Demised Premises from Electric Utility Providers and shall connect to the Electrical Interconnection Point in such a manner that Tenant will automatically draw from Landlord's Electricity first and supplement whatever electric power produced by the Solar Panel System or other Landlord Power Generation Systems with power from the existing electrical systems supplied by Electric Utility Providers serving the Demised Premises. At times when the Landlord Power Generation System is not operating, the Tenant will be able to automatically and without interruption draw full electric power requirements from the Electric Utility Providers.

26.3 Landlord shall sell to Tenant and Tenant shall purchase from Landlord all electrical energy ("Landlord's Electricity"), that is produced and delivered to the Demised Premises by the Landlord Power Generation Systems, including the Solar Panel System, at the rate of $0.10 per kilowatt-hour on the Commencement Date of this Lease or such later date when a Landlord Power Generation System is installed at the Landlord's Premises and increasing by three (3%) percent per annum on the first day of each one year anniversary of the initial date when Landlord's Power Generation System commenced delivery of Landlord's Electricity to the Demised Premises through the expiration of the initial Term ("Initial Term Electric Rate"); provided that, in no event shall the Initial Term Electric Rate exceed the rate at which Tenant could purchase electricity from Electric Utility Providers. In the event Tenant exercises its right to renew this Lease in accordance with Section 41 hereof, Landlord may increase the Initial Term Electric Rate for the renewal Term (the "Renewal Term Initial Rate"), at Landlord's sole discretion, upon notice to Tenant given no later than thirty (30) days following Landlord's receipt of the Tenant's renewal notice and the Renewal Term Initial Rate shall increase at the rate of three (3%) percent for each lease year throughout the renewal Term; provided that, in no event shall the Initial Term Electric Rate exceed the rate at which Tenant could purchase electricity from Electric Utility Providers. Any change to the Initial Term Electric Rate hereunder shall be promptly documented by a confirmatory writing executed by the authorized representatives of Landlord and Tenant. During the renewal Term, the Tenant's obligation to purchase Landlord's Electricity is subject to the condition that the price per kilowatt-hour of Landlord's Electricity shall at the commencement of each Lease Year be equal to or less than the total price charged by Electric Utility Providers (as hereinafter defined) for the supply and distribution of electricity to the Demised Premises inclusive of all taxes, charges and fees charged in connection therewith. If during the renewal Term following an increase or proposed increase in the Initial Term Electric Rate the Tenant obtains a firm written quote from an Electric Utility Provider proposing to sell Tenant electrical energy at a lower total price than the price per kilowatt-hour then being charged by Landlord ("Competing Quote"), Tenant may provide Landlord with a copy of the Competing Quote together with a request that Landlord match it. Within ten (10) days of Landlord's receipt of any such request, Landlord shall advise Tenant as to whether or not it will match the Competing Quote. If Landlord elects not to match the Competing Quote, Tenant's obligation to buy Landlord's Electricity from Landlord pursuant to the

terms hereof shall terminate effective on the thirtieth (30) day following Landlord's notice thereof to Tenant. If, at any time during the Term, Tenant is no longer obligated to purchase or Landlord ceases to supply Landlord's Electricity, Tenant shall be entitled to purchase all of its electricity from Electric Utility Providers. However, notwithstanding said termination, Landlord's rights under this Article 26 to maintain and access any of the Landlord's Power Generation Systems through the Demised Premises for any purpose including, but not limited to, the right to sell Landlord's Electricity to other occupants of the Landlord's Premises, to other consumers of electricity or to utility providers and/or obtain and/or market RECS shall continue unaffected for the balance of the Term.

26.4 Landlord shall measure the actual amount of Landlord's Electricity delivered to the Demised Premises by the Landlord's Power Generation Systems at the Electrical Interconnection Point utilizing a commercially available revenue grade interval data-recording meter (the "Meter"). The Meter shall be installed and maintained at Landlord's expense during the Term. Tenant may request that Landlord test the Meter at any reasonable time during the Term if Tenant reasonably believes that the Meter is inaccurate or defective. Tenant shall reimburse Landlord for the cost of any test performed at Tenant's request unless such testing reveals that the Meter is inaccurate or defective. In the event the Meter is found to be inaccurate or defective, Landlord shall make necessary repairs or replacements of the Meter, at Landlord's sole cost and expense, and Landlord shall not be entitled to any reimbursement of the costs of the inspection that revealed the error in the Meter from Tenant. In addition, if it is discovered that the Meter's inaccuracy or defect has resulted in Landlord overbilling Tenant, the invoices shall be adjusted retroactively from the date (or if the exact date is unknown then from the approximate date) that the inaccuracy commenced, if known, and, if unknown, for the three month period preceding the Meter test date. Adjustments that benefit the Tenant will be reflected on the next invoice following the date of determination of the inaccuracy. Adjustments that benefit the Landlord shall be included on Landlord's next invoice to the Tenant. Tenant will not tamper with the Meter or otherwise interfere with its measurement of electricity provided by the Landlord's Power Generation Systems.

26.5 Each month during the Term, Landlord shall read the Meter to determine Tenant's prior month's usage of Landlord's Electricity and invoice Tenant therefor, together with any taxes and third party charges or fees thereon that may be lawfully levied with respect to the purchase of electricity by Tenant from Landlord pursuant to the terms of this Article 26. The invoices shall show total kilowatt-hours used by Tenant for the immediately preceding month multiplied by the applicable per kilowatt-hour rate payable by Tenant hereunder. Tenant shall pay for Landlord's Electricity within thirty (30) calendar days after service of invoices. Tenant's obligation to pay Landlord's Electricity shall constitute Additional Rent and if Tenant fails to timely pay the invoices, Landlord shall have the remedies available for non-payment of Additional Rent hereunder.

26.6 During the Term, Landlord shall be solely responsible for the installation, inspection, maintenance, repair, replacement and/or relocation of the Landlord's Power Generation Systems. Landlord shall have full access through the Demised Premises to the roof of the Building and shall have reasonable access to other areas of the Demised Premises, in each case, on reasonable prior notice, as reasonably necessary, for said purposes. In connection with any such access, Landlord shall use reasonable efforts to minimize interference with Tenant's use of the Demised Premises.

26.7 Tenant shall not install any structures or equipment on any part of the Demised Premises that obstruct or interfere with the Landlord's Power Generation Systems or that overshadow or shade rooftop or exterior solar arrays integral to Landlord's Power Generation Systems, nor shall Tenant otherwise unreasonably interfere with the operation of the Landlord Power Generation Systems and the output of Landlord's Electricity. Upon Landlord's demand, Tenant shall cease all

such activities which impair or reduce the efficient operation of any of the Landlord's Power Generation Systems or materially increase the cost to operate or maintain any of the Landlord's Power Generation Systems. If Tenant fails to cease prohibited activities after notice thereof by Landlord, and such activities, in violation of this Section 26.7, result in the Solar Panel System producing less than the average output on a kilowatt basis over the twelve (12) month period immediately preceding the commencement of the prohibited activities, Tenant shall pay to Landlord as Additional Rent the difference between the amounts actually paid to Landlord for Landlord's Electricity and the amounts that would have been paid if the Solar Panel System had operated at expected capacity during the period after the service of Landlord's demand to cease such activities until the activities have ceased.

26.8 Landlord will have sole ownership of any and all of the Landlord's Power Generation Systems that may be installed by Landlord from time to time during the Term hereof and of all renewable energy credits or certificates, including, without limitation, emission reduction credits, investment credits, production tax credits, emission allowances, green tags, and tradable renewable credits (hereinafter collectively, "RECS") and may it its sole discretion market these at any time. Any grant, rebate, incentive payment or credit by any applicable utility, the Federal, State or Local Government or any other agency paid as a result of the design, construction and operation of the Landlord's Power Generation Systems shall be paid to, credited to and otherwise inure to the exclusive benefit of Landlord. Tenant shall cooperate in good faith, at no cost or expense to Tenant, as reasonably necessary to enable Landlord to obtain all available RECS, incentives and rebates, including assignment to Landlord of any incentive received by Tenant in connection with and/or as a result of the Landlord's Power Generation Systems being on the Demised Premises and, in connection therewith, shall within ten (10) days of Landlord's demand, respond to and/or sign such authorizations and/or other documentation as is reasonably required by Landlord to obtain any rebate or subsidy available to it under applicable law.

26.9 Landlord may permanently discontinue operation of Landlord's Power Generation Systems and shall have no further obligation to sell Tenant Landlord's Electricity in accordance with the terms hereof (i) if Landlord determines in good faith that the continued operation of the Solar Panel System is no longer economically beneficial because of changed circumstances or regulatory requirements, or presents a danger to persons or property; (ii) if the renovation, damage, destruction or ceasing of operations at the Demised Premises eliminates or materially reduces Tenant's need for Landlord's Electricity so as to make continued operation uneconomical in Landlord's good faith judgment; (iv) if a Landlord's Power Generation System is damaged or impaired and Landlord determines that it is not economical to repair or rebuild; or if (v) Landlord is unable to legally or practically continue the sale of Landlord's Electricity to Tenant (hereinafter collectively, "Termination Events"); provided that Landlord shall not so discontinue operation of Landlord's Power Generation Systems unless and until Tenant is able to obtain all of its required electricity directly from Electric Utility Providers and, in the event alterations to the Demised Premises or additional equipment is required therefor, such alterations shall be performed and such equipment shall be purchased at Landlord's sole cost and expense. If Landlord elects in its sole discretion not to terminate the sale and purchase of Landlord's Electricity following one or more Termination Events, Landlord and/or Tenant, as applicable, shall diligently pursue the completion of any renovation and/or repair work that would permit the recommencement of the sale and purchase of Landlord's Electricity in accordance with the terms hereof, at Landlord's sole cost and expense.

26.10 The rights and obligations of Landlord with respect to Landlord's Electricity, the Landlord's Power Generation Systems or the RECS may be assigned by Landlord to any successor owner and to any mortgagee of the Landlord's Premises without the need for Tenant's consent and, in furtherance thereof, Tenant shall, within ten (10) days of Landlord's demand, sign such documentation as Landlord may reasonable request to effectuate the assignment or sale of the

Landlord's Power Generation Systems, the RECS or Landlord's right to sell Tenant Landlord's Electricity in accordance with the terms hereof.

26.11 The Landlord shall indemnify and hold Tenant harmless from and against costs and expenses resulting from: (a) any repairs to, direct or indirect harm to, or loss of Tenant's personal property or fixtures on the Demised Premises to the extent caused by the negligence, recklessness, willful misconduct or breach of the terms of this Article 26 by Landlord or any of its contractors, agents, employees, partners, owners, subsidiaries, affiliates or invitees and not covered by Tenant's insurance (without giving effect to any subrogation against Landlord); and (b) any loss, damage, expense or liability resulting from injury to or death of persons to the extent caused by Landlord or any of Landlord's contractor's, agents, employees, partners, partners, owners, subsidiaries, affiliates or invitees, except if caused by or resulting from the Tenant's willful malfeasance or negligent acts.

26.12 Landlord and Tenant acknowledge and agree that Landlord's Power Generation Systems are intermittent generation facilities and will not provide Tenant with an uninterrupted supply of electricity. Nothing contained in this Article 6 shall be deemed to provide any warranty or guarantee for any specific level or quantity of power produced by the Landlord's Power Generation Systems at any given time or over the course of the Term. If Landlord's Electricity is interrupted, Landlord will make commercially reasonable efforts to restore Landlord's Electricity in a timely manner.

26.13 Landlord shall have the right to publish information about the installation and usage of the Landlord Power Generation Systems through any means, including press releases, published material and internet.

27. Waiver as to Insured Losses:

27.1 Tenant and Landlord each waive all rights of recovery against the other or their respective agents, employees or other representatives, for any loss, damage or injury of any nature whatsoever to property or persons for which the Tenant or Landlord is insured, to the extent of insurance proceeds actually received on account of such loss, damage or injury.

28 Environmental Covenants:

Tenant represents, covenants, promises and agrees that:

28.1 Tenant agrees to take all requisite action to insure Tenant's full compliance, at Tenant's sole expense, with all applicable federal, state and local environmental laws, including, but not limited to, (i) the "Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. 9601 et seq. ("CERCLA"); (ii) the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. (and including the Hazardous Discharge Site Remediation Site Act, N.J.S.A. 58:10B-1 et seq.) (collectively "ISRA"); (iii) the New Jersey Spill Compensation and Control Act, as amended, N.J.S.A. 58:10-23.11 et seq. ("Spill Act"); (iv) the Solid Waste Management Act, N.J.S.A. 13:1E-1 et seq. ("SWMA"); (v) the Resource Conservation and Recovery Act, as amended, 42 U.S.C. 6901 et seq. ("RCRA"); (vi) the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. § 651 et seq. ("OSHA"); (vii) the New Jersey Underground Storage of Hazardous Substances Act, as amended, N.J.S.A. 58:10A-21 et seq. (the "Tank Act"); (viii) the New Jersey Water Pollution Control Act, as amended, N.J.S.A. 58:10A-1 et seq. ("WPCA"); (ix) the New Jersey Air Pollution Control Act, as amended, N.J.S.A. 26:2C-1 et seq. ("APCA"); and/or the rules and regulations promulgated thereunder and all federal and state laws relating to pollution of the environment, hazardous substances, air pollution, soil, hazardous waste, toxic substances, noise control, sewerage and wastewater treatment, solid waste, tidelands, navigable waters, water supply, quality and pollution, environmental rights, storm water, groundwater and waters of the United States and of New Jersey (herein referred to as "Environmental Laws").

28.2 Tenant shall not use or suffer or permit the use of the Demised Premises to refine, produce, store, handle, generate, manufacture, heat, dispose of, transfer, process or transport “Hazardous Substances”, as herein defined. The term “Hazardous Substances” shall be defined for purposes of this Lease as any hazardous chemical, hazardous or toxic substance, hazardous waste, hazardous material or similar material or substance as so defined in or regulated under any Environmental Laws, including without limitation, CERCLA, ISRA, Spill Act, RCRA, OSHA, the Tank Act. “Hazardous Substances” shall not be deemed to include food items consumed by employees at the Demised Premises or cleaning products typically sold for home or office use which are stored in compliance with Environmental Laws in original containers and are used for such purposes within the Demised Premises.

28.3 Tenant shall not use or otherwise operate on the Demised Premises as a “Major Facility”, as such term is defined in N.J.S.A. 58:10-23.11b(1), or any rule or regulation promulgated thereunder.

28.4 In connection with the Tenant’s occupancy of the Demised Premises or operations within the Landlord’s Premises, if Tenant or any of Tenant's agents, servants, contractors, employees, invitees, sub-tenants or assignees cause, suffer or permit any intentional or unintentional action or omission resulting in the releasing, spilling, leaking, pumping, pouring, emitting, emptying or dumping of "Hazardous Substances" at the Landlord’s Premises without having obtained a permit issued by the appropriate governmental authorities, Tenant promptly shall at Tenant's own expense, prepare and submit the required plans and carry out the approved plans in accordance with the provisions of all Environmental Laws, and all other applicable federal, state or local laws, rules or regulations, using contractors reasonably satisfactory to Landlord, remedial investigation plans and remedial action plans reasonably satisfactory to Landlord (Landlord’s consent not to be unreasonably withheld or delayed). Tenant shall (i) remediate such discharge to the DEP unrestricted standard (with no requirement for Institutional or Engineering Controls as those terms are defined under applicable Environmental Laws); (ii) comply with all Environmental Laws and other applicable federal, state or local laws, rules or regulations regarding such discharge; and (iii) shall provide to Landlord copies of all correspondence, plans, reports and other documents received from or submitted to the regulatory authorities having jurisdiction over such discharge and any required remediation of such discharge.

28.5 No lien has been attached, nor shall any lien be allowed to attach to any revenues or any real or personal property owned by Tenant and located at the Demised Premises, pursuant to federal or state laws including, without limitation the Spill Act and/or CERCLA.

28.6 Tenant will furnish the New Jersey Department of Environmental Protection (“DEP”) and/or Landlord with any information which may be required by the Environmental Laws with respect to the occupancy of and operations at the Demised Premises, including information required by ISRA due to applications submitted by the Landlord from time to time all at no cost or expense to Landlord.

28.7 In the event that there shall be filed a lien resulting from the acts or omissions of Tenant or its agents, servants, contractors, employees, invitees, sub-tenants or assignees against the Demised Premises or Tenants interest therein or Tenant’s property thereon by DEP under the Spill Act or under CERCLA or under any other Environmental Law, Tenant shall within thirty (30) days from the date the Tenant is given notice of such lien or within such shorter period of time in the event that the State of New Jersey has commenced steps to cause a sale pursuant to the lien, either: (a) pay the claim and remove the lien; or (b) furnish (1) a bond satisfactory to Landlord and/or DEP in the amount of the claim out of which the lien arises, (2) a cash deposit in the amount of the claim out of which the lien arises, or (3) other security reasonably satisfactory to Landlord in an amount sufficient to discharge the claim out of which the lien arises.

28.8 Tenant shall not use or cause the Demised Premises to be used as an "industrial establishment", as such term is defined in ISRA without the prior written consent of Landlord.

28.9 Tenant shall not install any underground storage tanks within or under the Landlord's Premises.

28.10 Landlord represents, covenants, promises and agrees that it knows of no environmental conditions affecting the Landlord's Premises which are not referenced in the Phase I Environmental Report dated January 29, 2003 prepared by EcolSciences, Inc. a true and complete copy of which has been provided to the Tenant; the said Phase I Environmental Report dated January 29, 2003 is the most recent Environmental Report known to Landlord concerning the Landlord's Premises; the Landlord knows of no environmental air quality conditions affecting the Demised Premises and has not received any complaints or claims alleging the existence of any such conditions; and the Landlord knows of no claims that have been asserted against the Landlord's Premises alleging the presence of Hazardous Substances in, on, or about the Landlord's Premises.

29. Auction Sales:

29.1 Tenant shall not conduct or permit to be conducted any sale by auction or otherwise in, upon or from the Demised Premises whether said sale be voluntary, involuntary, pursuant to any assignment for the payment of creditors or pursuant to any bankruptcy or other insolvency proceeding.

30. Holding Over:

30.1 If Tenant remains in possession of the Demised Premises or any part thereof after the expiration of the term hereof without the express written consent of Landlord, such occupancy shall at Landlord's option constitute a trespass entitling Landlord to obtain immediate possession of the Demised Premises in addition to Landlord's rights to recover damages under Section 30.2.

30.2 In the event Tenant shall remain in possession of the Demised Premises following the expiration of the Term, without Landlord's written permission, all terms of this Lease shall, as applicable, continue to govern such possession, except that Tenant shall have the status of a tenant at sufferance and shall pay to Landlord, as damages for such wrongful holdover, for each month or part thereof during which said wrongful holdover continues, one hundred fifty percent (150%) of the Fixed Rent then in effect hereunder, plus all Additional Rent.

31. Quiet Possession:

31.1 So long as this Lease is in full force and effect, Tenant shall have quiet possession of the Demised Premises for the entire term hereof, subject to all the provisions of this Lease.

32. Sale of the Landlord's Premises:

32.1 The term "Landlord" as used in this Lease means only the owner or landlord for the time being of the land and building of which the Demised Premises form a part, so that in the event of sale or sales of said land and premises the Landlord shall be and hereby is entirely freed and relieved of all covenants and obligations of the Landlord hereunder accruing from and after such sale and it shall be deemed and construed without further agreement between the parties or their successors in interest, or between the parties and the purchaser at any such sale, that the purchaser has assumed and agreed to carry out any and all obligations of the Landlord hereunder.

33. Notices:

33.1 All notices and demands which are contemplated or permitted to be given by either party shall be in writing and shall be served upon the parties at the following addresses:

LANDLORD:

400 COMMERCE BOULEVARD, LLC
Attn: Edward Russo
570 Commerce Boulevard
Carlstadt, N.J. 07072

WITH A COPY TO:

Richard G. Berger, Esq.
Russo Development, LLC
570 Commerce Boulevard
Carlstadt, N.J. 07072

TENANT:

The Donna Karan Company, LLC
Attn: Chief Financial Officer
240 West 40th Street
New York, NY 10018

WITH A COPY TO:
The Donna Karan Company LLC
Attn: Legal Department - General Counsel
240 West 40th Street
New York, New York 10018

AND A COPY TO:
Stern Tannenbaum & Bell LLP
Attn: Stewart J. Stern, Esq.
380 Lexington Avenue
New York, New York 10168

Notices shall be served either (1) by personal service, or (2) by nationally-recognized overnight courier, such as Federal Express. Personal service shall be effective at the time of delivery in person or one day after dispatch if delivered by overnight courier service to the addressee. Either party may, from time to time, designate a different address by giving written notice to the other designating such address.

34. Parties Bound:

34.1 The covenants, agreements, terms, provisions and conditions of this Lease shall bind and benefit the respective successors, assigns and legal representatives of the parties hereto with the same effect as if mentioned in each instance where a party hereto is named or referred to, except that no violation of the provisions of Article 17 hereof shall operate to vest any rights in any

successor, assignee or legal representative of Tenant and that the provisions of this Article 34 shall not be construed as modifying the conditions of limitation contained in Article 17 hereof. It is understood and agreed, however, that the covenants and obligations on the part of Landlord under this Lease accruing from and after a transfer of this Lease shall not be binding upon Landlord herein named with respect to any period subsequent to the transfer of its interest in the Demised Premises, that in the event of such transfer said covenants and obligations shall thereafter be binding upon each transferee of such interest of Landlord herein named, but only with respect to the period ending with a subsequent transfer of such interest, and that a lease of the entire interest shall be deemed a transfer within the meaning of this Article

35. Abandoned Personal Property:

35.1 Any personal property, which shall remain in the Demised Premises or any part thereof after the expiration or termination of the term of this Lease shall be deemed to have been abandoned, and either may be retained by Landlord as its property or may be disposed of in such manner as Landlord may see fit at the sole cost and expense of Tenant seven (7) days after written notice to Tenant. If such personal property or any part thereof shall be sold by Landlord, Landlord may receive and retain the proceeds of such sale as Landlord's property without affecting Landlord's rights against Tenant or resulting in any credit to Tenant from damages otherwise recoverable by Landlord.

36. Financial Information:

36.1 In the event at any time during the term, the Landlord processes for a mortgage on the Landlord's Premises, or desires financial information for other reasonable purposes, Tenant shall, provide up to five years of its most recent financial statements (certified if available, and if not, then certified to be true and correct by Tenant's chief financial officer), and through its banking representative(s), make reasonable financial information concerning the Tenant, available to the Landlord and, if applicable, the credit representative of the Landlord's mortgage lender. Such information shall be treated as confidential by the Landlord and, if applicable, the Landlord's mortgagee.

37. Letter of Acceptance:

37.1 Upon the Tenant's accepting the Demised Premises and entering into possession, after Substantial Completion, as defined in Article 40, of the Landlord's improvements pursuant to the terms and conditions hereof, the Tenant covenants and agrees that it will furnish to the Landlord a written statement that it accepts the Demised Premises, subject to latent defects and Punch List Items, and subject to the terms and conditions of this Lease.

38. Miscellaneous Provisions:

38.1 This Lease shall not be strictly construed against either Landlord or Tenant; the captions in this Lease are for convenience only and are not a part of this Lease; except as otherwise expressly provided in this Lease and its Schedules and other attachments, the singular includes the plural and the plural includes the singular; "or" is not exclusive; a reference to any laws includes any amendment or supplement to such laws; a reference to a person or other entity includes its permitted successors and assigns; accounting provisions have the meanings assigned to them by generally accepted accounting principles applied on a consistent basis in the United States; the words "such as," "include," "includes" and "including" are not limiting; except as specifically agreed upon in this Lease, any right may be exercised at any time and from time to time and all obligations are

continuing obligations throughout the Term, and in calculating any time period, the first day shall be excluded and the last day shall be included and all days are calendar days unless otherwise specified.

38.2 This Lease shall be construed and enforced according to the laws of the State of New Jersey.

38.3 If more than one person or entity shall sign this Lease as Tenant, the obligations set forth herein shall be deemed joint and several obligations of each such party.

38.4 If any term or provision of this Lease, the deletion of which would not adversely affect the receipt of any material benefit by either party hereunder, shall be held invalid or unenforceable to any extent, the remaining terms, conditions and covenants of this Lease shall not be affected thereby, and each of said terms, covenants and conditions shall be valid and enforceable to the fullest extent permitted by law.

38.5 Landlord and Tenant each warrant to the other that all consents or approvals for the execution, delivery and performance of this Lease have been obtained, that each has the right and authority to enter into and perform its covenants contained in this Lease, and that this Lease is binding upon such Party in accordance with its terms.

38.6 The provisions of this Lease which relate to periods subsequent to the expiration of the Term shall survive the expiration of the Term for the period of time indicated in each such provision. In the event a specific time period is not indicated in a particular provision, then the provision shall survive for an indefinite period of time.

38.7 This Lease may not be altered, changed or amended, except by an instrument in writing executed by all parties hereto, and executed by, or consented to in writing by the Guarantor.

38.8 The terms and provisions of Schedules attached hereto are incorporated into and made a part of this Lease for all purposes.

38.9 This Lease may be executed in any number of counterparts, all of which shall be considered one and the same Lease notwithstanding that all parties hereto have not signed the same counterpart. The signature of any party to this Lease which is transmitted by facsimile shall be valid for all purposes. Any party shall, however, deliver an original signature of this Lease to the other party upon request.

38.10 This Lease (including all schedules hereto) constitutes the entire agreement of the parties with respect to the subject matter hereof and all prior and contemporaneous written and oral agreements are merged herein.

38.11 This Lease and all documents relating thereto, specifically excluding the original Guaranty but including, without limitation, consents, waivers and modifications which may hereafter be executed, financial and operating statements, certificates and other information previously or hereafter furnished to Landlord, may be reproduced by Landlord by any digital, computer, photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process and Landlord may destroy any original document ("**Master**") so reproduced. Tenant agrees and stipulates that any such reproduction is an original and shall be admissible in evidence as the Master in any judicial or administrative proceeding (whether or not the Master is in existence and whether or not such reproduction was made or preserved by Landlord in the regular course of business) and any enlargement, facsimile or further reproduction of such a reproduction shall be no less admissible.

38.12 Landlord hereby expressly waives any and all rights granted by or under any present or future laws to distrain for rent, in arrears, in advance or both, upon all goods, merchandise, removable equipment or other tangible personal property owned by Tenant which is located at the Demised Premises, or to levy or seize any of the assets of Tenant without judicial order permitting such action obtained on notice to Tenant as required by law.

38.13 Landlord covenants that throughout the Term and the option renewal period, if exercised, it shall not lease space within Landlord's Premises to any pornographic or X-rated establishments nor for sale or display of pornographic material, or for live-nude or semi-nude performances, nude modeling, rap sessions, or as a so-called 'rubber goods' store, or as a sex club of any sort, or as a massage parlor, gambling or gaming establishment, medical or psychiatric offices or a medical care clinic, or any immoral or illegal purpose.

39. Rules and Regulations:

39.1 Tenant shall comply with the Rules and Regulations as reasonably adopted, amended and repealed by the Landlord from time to time for the use, operation and occupancy of the Landlord's Premises. A copy of the Rules and Regulations currently in effect on the date of this Lease is annexed hereto and incorporated herein by reference as Schedule "F." A breach of the Rules and Regulations shall be a breach of this Lease. Landlord shall give the Tenant notice of the future adoption, amendment or repeal of Rules and Regulations, and same shall be binding upon Tenant and shall be deemed incorporated herein thirty (30) calendar days after service upon the Tenant.

40. Allowance Improvements:

40.1 As part of the Tenant's Improvements, the Landlord shall provide to Tenant a monetary allowance in the amount of Two Hundred Fifty Thousand and 00/100 Dollars ($250,000.00) (hereinafter referred to as the "Allowance Amount") for the installation of interior improvements in the Demised Premises including, but not limited to new carpet, paint, replacement of ceiling tiles, office layout modifications, construction of a restroom on the second floor mezzanine and refurbishment of restrooms on the first floor (the "Allowance Improvements"). The plans and specifications for the Allowance Improvements shall be completed by the architectural staff of Landlord's affiliate, Russo Development, LLC ("Russo Development"), with the consultation of and approval of Tenant. Tenant shall review and consent to plans and specifications for the Allowance Improvements within twenty (20) business days after submission for approval. Landlord and Tenant shall cooperate to insure that all plans and specifications for the Allowance Improvements are completed and approved no later than December 1, 2011.

40.2 Tenant understands and agrees that the Allowance Amount set forth in Section 40.1 of this Lease does not represent a guarantee, representation or estimate of the total cost of the work for which allowances are granted. All work and materials installed for the improvements paid for by the Allowance Amount (the "Allowance Improvements") shall be performed by the Landlord utilizing Russo Development as its Construction Manager at "Landlord's Cost" as defined below; provided that work in respect of Tenant Improvements not paid for from the Allowance Amount may, at Tenant's option, be performed by Tenant using a third party contractor (subject to Landlord's reasonable approval of such contractor as herein provided). Prior to commencement of each phase of Allowance Improvements, the Landlord shall provide the Tenant with a detailed breakdown of the estimated cost (hereinafter referred to as a "Landlord Cost Breakdown") plus a ten (10%) percent markup for profit and a ten (10%) percent markup for overhead for all work done by Russo Development and its affiliates directly, and five (5%) percent markup for profit and a five (5%) percent markup for overhead for work subcontracted to unaffiliated contractors of Russo Development, but supervised by Russo Development as the Landlord's Construction Manager (collectively the "Landlord's Costs");provided that, if Tenant elects to utilize a third party contractor for any Tenant's Improvements not paid for by the Allowance Amount, Landlord shall not be entitled to any profit, overhead or other payment in respect thereof. The Landlord's Costs shall be commercially reasonable and shall be negotiated by the Landlord and the Tenant in good faith. The Landlord's Costs shall not

include any overtime costs necessary to meet the Substantial Completion Date, unless such overtime is required due solely to changes in the Allowance Improvements or the scheduling of the Allowance Improvements requested by Tenant. The parties shall agree upon the Landlord's Cost and the Tenant shall provide written approval of the Landlord's Cost before the Landlord is obligated to commence the applicable phase of the Allowance Improvements. All permit fees paid by the Landlord for the Allowance Improvements shall be added to the Landlord's Cost without markup for profit or overhead. All design work completed by the Landlord's or Russo Development's consultants for the Allowance Work shall be added to the Landlord's Costs without markup for profit or overhead**.** All costs for architectural design work completed by Russo Development's in-house architectural staff will be completed at no cost to the Tenant and will not be added to the Landlord's Cost.

40.3 If the aggregate Landlord's Cost for completion of all of the Allowance Improvements exceeds the Allowance Amount provided for in this Lease (such excess being referred to as the "Excess Landlord's Cost"), the Tenant shall pay the Excess Landlord's Cost to Landlord within thirty (30) days after Substantial Completion of all Allowance Improvements. In the event of Tenant's default in this obligation, Landlord shall have all of the same remedies afforded under this Lease in the case of a default in payment of Rent. Similarly, in the event that the Allowance Amount exceeds the Landlord's Cost, then the Landlord shall refund the balance due to the Tenant within thirty (30) days from Substantial Completion of the Allowance Improvements.

40.4 The Allowance Improvements shall be deemed "Substantially Complete" and the "Substantial Completion Date" shall be the date on which (a) the Russo Development's architect has certified in a writing served upon Tenant that Landlord has completed the Allowance Improvements, other than Punchlist Items (as defined below) and (b) Landlord has delivered to Tenant a conditional or temporary occupancy certification from the New Jersey Meadowlands Commission and a conditional or temporary certificate of occupancy from the Borough of Carlstadt allowing the Tenant to enter into possession of the Demised Premises subject only to completion of Punch List Items (as hereinafter defined).

40.5 Not less than five (5) business days prior to the Substantial Completion Date, Landlord shall furnish Tenant with a detailed punch list of minor items, which will not be completed by the Substantial Completion Date and which will not materially or adversely interfere with the Tenant's use and occupancy of the Demised Premises for its normal business operations (the "Punch List"). Tenant shall have the right to supplement the Punch List for a period of sixty (60) days after the Substantial Completion Date. The Punch List shall not include the repair of any items that are damaged solely as a result of actions of Tenant, its employees, agents, invitees or contractors. Landlord shall promptly after Substantial Completion complete the work on the Punch List as soon as reasonably possible. Landlord and Tenant shall work together in good faith to prepare and agree upon the Punch List; provided, however, in the event the parties cannot agree on any item to be included or not included on the Punch List within ten (10) days of the identification of such item, then the determination of whether or not such item should be included in the Punch List shall be made by an independent architect selected by mutual agreement of Landlord and Tenant or, if the parties cannot agree on the selection of an architect, then the architect shall be assigned by the Assignment Judge of the Superior Court of New Jersey in Bergen County. Work included on the Punch List shall be performed without unreasonably interfering with Tenant's business operations at the Demised Premises**.** Landlord agrees to diligently pursue completion of all items on the Punch List within thirty (30) days after preparation of such Punch List or, if any such items cannot reasonably be expected to be corrected within such thirty (30) day period, then Landlord shall commence such correction and diligently pursue it to completion in no event later than one hundred twenty (120) days thereafter.

40.6 Promptly after agreement on the plans and specifications for the Allowance Improvements and receipt of all permits necessary for the construction of the Allowance Improvements (which Landlord will file for promptly), Landlord shall commence performance thereof, shall diligently and without delay prosecute such work to completion, and shall deliver the Demised Premises to Tenant with all Allowance Improvements complete within three months after commencement of work (i.e., by May 1, 2012 if Landlord can commence work on January 1, 2012 or June 1, 2012 if Landlord can commence work on February 1, 2012), subject to extension for changes in the Allowance Improvements requested by Tenant. The Allowance Improvements shall be performed in a good and workmanlike manner in accordance with the plans and specifications agreed to by Landlord and Tenant and shall comply with all legal requirements.

41. Option to Renew:

41.1 Tenant shall have the right to renew its lease for the Demised Premises for one (1) ten (10) year period by providing Landlord with written notice not less than twelve (12) calendar months prior to the Termination Date, provided and on the condition that the Tenant delivers the written consent of the Guarantor to the extension of the Term of the Lease with the notice of Tenant's exercise of the Option to Renew. TIME FOR NOTICE OF EXERCISE OF TENANT'S OPTION IS HEREBY DECLARED TO BE OF THE ESSENCE, and a failure to provide timely notice shall operate as an irrevocable waiver of all rights under this Section 41.1.

41.2 The initial base rent for the first year of renewal option period shall be the greater of: (i) the Fixed Rent set forth on Schedule B-1 annexed hereto or made a part hereof; or (ii) ninety-five percent (95%) of the then-prevailing Fair Market Rental Rate ("FMRR"), and such amount shall increase by 3% each year. The FMRR shall take into account all relevant factors, including without limitation, the financial strength of the Tenant, and comparable leases (on the basis of factors such as, but not limited to, size and location of space and the term of the lease), if any, recently executed for space in other buildings in the Pertinent Market which are comparable to the Demised Premises in reputation, quality, age, size, location and quality of services provided, and the fact that landlord will not be required to provide any allowances or free rent or to pay a brokerage commission. For the purposed hereof, "Pertinent Market" shall mean within ten (10) miles of the location of the Demised Premises. If Landlord and Tenant do not agree on the FMRR within thirty (30) days of Tenant's notice that it has exercised its option, the FMRR shall be determined by arbitration before a single arbitrator who shall be a real estate broker who is a licensed appraiser in New Jersey with at least fifteen (15) years of relevant prior experience and who is actively involved in commercial real estate transactions within the Pertinent Market. The arbitrator shall be selected by mutual agreement of the parties within twenty (20) days after the expiration of such 30-day negotiation period, or, if the parties cannot agree on the selection of an arbitrator, then the arbitrator shall be assigned by the Assignment Judge of the Superior Court of New Jersey in Bergen County. The arbitration shall be conducted in accordance with the Commercial Arbitration, expedited procedures then utilized and in effect with the American Arbitration Association (AAA), although it shall not be conducted before the AAA. The Arbitrator shall render a written decision within not more than forty-five (45) days after submission.

41.3 Except as to the amount of Fixed Rent, all of the other terms, covenants, conditions and agreements set forth in this Lease shall apply to all renewal terms; except that there shall be no further options to renew this Lease.

42. Incorporation of Recitals.

42.1. The recitals set forth in this Lease are hereby incorporated into this Lease.

IN WITNESS WHEREOF, Landlord and Tenant have executed or caused to be executed, these presents, as of the date first hereinabove set forth.

Signed, Sealed and Delivered
in the Presence of:

400 COMMERCE BOULEVARD, LLC

_____

By: _____
Edward Russo, Manager

ATTEST:

THE DONNA KARAN COMPANY, LLC

_____

By: _____

Schedule "A"
Lease Plan

Schedule "B"
Fixed Rent During Initial Term

Total SF:	197,445		

Lease Year	Rent PSF	Annual Rent	Monthly Rent
May 1, 2012 - April 1, 2013 *	$ 7.25	$ 1,312,186.56	$ 119,289.69
May 1, 2013 - December 31, 2013 **	$ 7.25	$ 954,317.50	$ 119,289.69
January 1, 2014 - April 30, 2014 ***	$ 7.50	$ 493,612.50	$ 123,403.13
May 1, 2014 - April 30, 2015	$ 7.50	$ 1,480,837.50	$ 123,403.13
May 1, 2015 - April 30, 2016	$ 7.50	$ 1,480,837.50	$ 123,403.13
May 1, 2016 - April 30, 2017	$ 8.00	$ 1,579,560.00	$ 131,630.00
May 1, 2017 - April 30, 2018	$ 8.00	$ 1,579,560.00	$ 131,630.00
May 1, 2018 - April 30, 2019	$ 8.00	$ 1,579,560.00	$ 131,630.00
May 1, 2019 - April 30, 2020	$ 8.00	$ 1,579,560.00	$ 131,630.00
May 1, 2020 - April 30, 2021	$ 8.50	$ 1,678,282.50	$ 139,856.88
May 1, 2021 - April 30, 2022	$ 8.50	$ 1,678,282.50	$ 139,856.88
May 1, 2022 - April 30, 2023	$ 8.50	$ 1,678,282.50	$ 139,856.88
May 1, 2023 - April 30, 2024	$ 8.50	$ 1,678,282.50	$ 139,856.88
		$ 18,753,161.56	

* Rent charged on 11 of 12 months for the first lease year
** Indicates an eight month lease period
*** Indicates a four month lease period

Schedule "B-1"
Fixed Rent For Option Term Unless FMRR Applies

Total SF:	197,445		

Lease Year	Rent PSF	Annual Rent	Monthly Rent
May 1, 2024 - April 30, 2025	$ 9.50	$ 1,875,727.50	$ 156,310.63
May 1, 2025 - April 30, 2026	$ 9.50	$ 1,875,727.50	$ 156,310.63
May 1, 2026 - April 30, 2027	$ 9.50	$ 1,875,727.50	$ 156,310.63
May 1, 2027 - April 30, 2028	$ 10.00	$ 1,974,450.00	$ 164,537.50
May 1, 2028 - April 30, 2029	$ 10.00	$ 1,974,450.00	$ 164,537.50
May 1, 2029 - April 30, 2030	$ 10.00	$ 1,974,450.00	$ 164,537.50
May 1, 2030- April 30, 2031	$ 10.00	$ 1,974,450.00	$ 164,537.50
May 1, 2031 - April 30, 2032	$ 10.50	$ 2,073,172.50	$ 172,764.38
May 1, 2032 - April 30, 2033	$ 10.50	$ 2,073,172.50	$ 172,764.38
May 1, 2033 - April 30, 2034	$ 10.50	$ 2,073,172.50	$ 172,764.38
May 1, 2034 - April 30, 2035	$ 10.50	$ 2,073,172.50	$ 172,764.38
Total Rent for Renewal Term		$ 21,817,672.50	

Schedule "C"
Routine Landlord Maintenance

1. HVAC Systems: Landlord shall enter into a maintenance contract for all HVAC equipment and systems including, but not limited to, unit heaters, rooftop package heating/cooling systems, and exhaust fans. The maintenance contract shall require that all systems be inspected, maintained and repaired approximately four (4) times each year.

2. Material Handling Systems: Landlord shall enter into a maintenance contract for all dock levelers, dock seals, loading doors and other loading accessories. The maintenance contract shall require that all equipment be inspected, lubricated, adjusted, cleaned and otherwise maintained and repaired approximately two (2) times each year.

3. Exterior Walls: Landlord's maintenance to the exterior brick walls may include the application of a waterproofing material such as Prime-a-Pel or an equivalent substitute, if and as needed, approximately one (1) time every five (5) years. Landlord's maintenance to the exterior block walls may include the application of a paint and waterproofing material, if and as needed, approximately one (1) time every five (5) years. All exterior caulking shall be removed and replaced, if and as needed, approximately one (1) time every ten (10) years. The work described in this paragraph 3 was last completed in June of 2007.

4. Parking & Loading Areas: All paved areas may be resurfaced, if and as needed, approximately once every ten (10) years. This work may include, but not be limited to, the removal and replacement of approximately two (2") inches of fine aggregate top course asphalt, and removal and replacement of concrete aprons, curbs, sidewalks, and brick pavers. This work was last completed in June of 2009.

5. Elevators: All elevators may be inspected, maintained, and repaired as needed, approximately two (2) times each year.

6. Exterior Signage: All non-masonry components of the exterior signage may be inspected, maintained and repaired as needed, approximately one (1) time every year.

7. Exterior Lighting: All exterior site lighting may be inspected regularly to insure that fixtures are operating properly. All light bulbs may be inspected and replaced as needed, approximately once per year and all and ballasts shall be inspected and replaced as needed, approximately one (1) time every two (2) years.

8. Stormwater Management: All stormwater management improvements including, but not limited to, detention basins, water quality basins, Stormceptors™, sand filters, catch basins, and trench drains may be inspected, cleaned and repaired once every six (6) months.

9. Landscaping: The Landlord shall contract to have all landscaped areas maintained at least one (1) day per week during the growing season (approximately April through November). This work shall consist of: (i) mowing, fertilizing, and irrigation of all lawn areas; (ii) placement of mulch and "annual" plants in landscaped beds; (iii) pruning, spraying, and other pest control for trees, shrubs, and perennials; (iv) general cleanup of the Demised Premises.

10. Snowplowing: The Landlord will contract to have all paved areas and sidewalks snowplowed when accumulations exceed one (1) inch and salted whenever icy conditions exist.

Schedule "D"
Restoration at the end of the Lease Term

As part of its obligation to maintain the Demised Premises and to restore it to substantially its original condition subject to the passage of time, at Tenant's sole cost and expense, prior to the Termination Date, and without limiting the terms of the Lease, the Tenant shall be responsible for the following items in connection with the restoration of the Demised Premises (the "Restoration Work"). All Restoration Work to be completed by Tenant shall be at Tenant's sole cost and expense. All Restoration Work to be completed by Landlord shall be deducted from Tenant's Security Deposit, provided that if the cost of the Restoration Work completed by Landlord exceeds Tenant's Security Deposit, Tenant shall pay the difference to Landlord within thirty (30) days of Landlord's invoice for said work. The provisions of this section shall survive the expiration of the Lease Term.

1. Tenant shall completely remove all material handling systems and equipment including, but not limited to, racking, pallets, fencing, conveyor systems, pump jacks, and forklifts. All anchor bolts installed in the warehouse floor shall be removed and the resulting penetrations shall be caulked with a Landlord approved epoxy material such as Euclid-500 or and equivalent material. All structural supports suspended from the roof frame to support material handling equipment shall also be completely removed.

2. Tenant shall remove all its personal property including, but not limited to furniture, equipment, racking systems, material handling equipment, files, decorations, plants, throw rugs, and computers.

3. Tenant shall replace any damaged or missing ceiling grid and ceiling tiles. All walls, doors, door hardware, cabinets, counters, wall coverings, and tile floors shall be in good working order and condition. All kitchen systems and all bathroom systems including, but not limited to, pipes within the demised premises, urinals, toilets, showers, lavatories, lockers, mirrors, and accessories shall be in good working order and condition.

4. Tenant shall replace all light bulbs, ballasts, lenses and other accessories for light fixtures throughout the entire warehouse and office areas of the Demised Premises that are not in good working order and condition. This includes the obligation of Tenant to pay Tenant's Proportionate Share of replacement of such items in all light fixtures on the exterior of the Building. All electric circuits, switches, conduit and other electrical systems shall be in good working order and condition. There shall be no exposed wiring, open junction boxes, and missing outlet and/or switch covers.

5. Tenant shall remove all in-rack sprinkler systems including system acquired from previous tenant, if any, and restore the sprinkler system to its original configuration as delivered to Tenant at the Commencement Date.

Upon Tenant's vacation of the Demised Premises, but prior to the Termination Date, Landlord shall inspect the Demised Premises to determine if Tenant has not completed any Restoration Work. Landlord shall provide Tenant with a list of all outstanding Restoration Work, including a cost estimate for each item, within seven (7) days of Landlord's inspection. Landlord shall complete all outstanding Restoration Work, including but not limited to the following items, at Tenant's sole cost and expense:

1. Landlord shall repair all exterior sidewalks, curbs, and paved areas that are in need of repair or have been damaged by Tenant, its subtenants, employees, agents, invitees and contractors during Tenant's occupancy of the Demised Premises.

2. Landlord shall repair and/or replace all dock seals, dock bumpers, loading doors and levelors that have been damaged by Tenant since Landlord's last routine maintenance inspection, which shall be provided to Tenant promptly after receipt by Landlord. .

3. Landlord shall paint all exterior railings and other exposed steel surfaces, if required.

4. Landlord shall clean the entire warehouse floor with a ride-on scrubbing machine.

5. Landlord shall repair all large penetrations and other areas in warehouse floor, including construction/control joints, which have been materially damaged by forklift traffic, acids leaking from forklift batteries or otherwise by removing and replacing these areas in accordance with Landlord's specification.

Schedule "E"
Limited Guarantee of Lease

In consideration of, and as the material inducement for the granting, execution and delivery of a certain Lease dated as of _____, 2011, (hereinafter called the "Lease") by 400 COMMERCE BOULEVARD, LLC, a limited liability company of the State of New Jersey (hereinafter called the "Landlord"), to THE DONNA KARAN COMPANY LLC, a limited liability company of the State of Delaware (hereinafter called the "Tenant"), and in further consideration of the sum of TEN DOLLARS ($10.00) and other good and valuable consideration paid by the Landlord to the undersigned, the receipt whereof is hereby acknowledged, the undersigned, (hereinafter called the "Guarantor"), hereby guarantees to the Landlord, its successors and assigns, the full and prompt payment of all Fixed Rent, Supplemental Rent, Additional Rent and any and all other sums and charges payable by the Tenant, its successors and assigns, under said Lease including, without limitation, monetary damages arising from a breach of the Lease by Tenant, its successors and assigns, and the full performance and observance of all the monetary or financial covenants therein provided to be performed and observed by the Tenant, its successors and assigns, pursuant to the Lease, and the Guarantor hereby covenants and agrees with the Landlord, its successors and assigns, that if default shall at any time be made by the Tenant, its successors and assigns, in the payment of any such Fixed Rent, Supplemental Rent, or Additional Rent or other sums payable by the Tenant under said Lease, or in the performance of any of the monetary or financial covenants contained in the said Lease, the Guarantor will, if said default remains uncured after notice to Tenant and expiration of the applicable cure period under the Lease after thirty (30) days written notice to Guarantor forthwith pay such Fixed Rent, Supplemental Rent, or Additional Rent or other sums to the Landlord, its successors and assigns, and any arrears thereof, and will forthwith faithfully perform and fulfill all of such terms, covenants, conditions and provisions, and will forthwith pay to the Landlord all reasonable and foreseeable damages, as set forth in the Lease, that may arise in consequence of any default beyond applicable notice and grace periods by the Tenant, its successors and assigns, under said Lease, including reasonable attorneys' fees incurred by Landlord because of said default, pursuant to the terms and conditions as set forth in the Lease.

Notwithstanding anything to the contrary in this Guaranty or in the Lease, the total liability of the Guarantor hereunder shall never in any case exceed and shall be and is strictly limited to a maximum sum of Six Million and 00/100 ($6,000,000.00) Dollars.

This Guaranty is a guaranty of payment of all monetary obligations of the Tenant, its successors and assigns, under the Lease. It shall be enforceable against the Guarantor, its successors and assigns, without the necessity of any suit or proceedings on the Landlord's part of any kind or nature whatsoever against the Tenant, its successors and assigns, and without the necessity of any notice of non-payment, non-performance or non-observance of any notice of acceptance of this Guaranty except the written notice required by this Agreement and the Guarantor hereby expressly agrees that the validity of this Guaranty and the obligations of the Guarantor hereunder shall in no way be terminated, affected or impaired by reason of the assertion or the failure to assert by the Landlord against the Tenant of any of the rights or remedies reserved to the Landlord pursuant to the provisions of the said Lease. Notwithstanding anything to the contrary Guarantor shall have all defenses, right and remedies of Tenant under the Lease.

This Guaranty shall be a continuing Guaranty, for and during the original term and, provided that Guarantor has consented to a renewal term or terms, any renewal term or terms of the foregoing

Lease. The liability of the Guarantor hereunder shall in no way be affected, modified or diminished by reason of any assignment, or modification of the Lease provided that Guarantor has consented in writing to such assignment or modification of the Lease, or any dealings or transactions occurring between Landlord and Tenant, or any bankruptcy, insolvency, reorganization, liquidation, arrangement, assignment for the benefit of creditors, receivership, trusteeship or similar proceeding affecting Tenant, whether or not notice thereof is given. In the event of: (i) the sale, transfer or hypothecation of the assets, stock or other means of Guarantor's controlling interest of Tenant by Guarantor; or (ii) any assignment or transfer of the Lease Landlord shall not unreasonably withhold its consent to an assignment of this Guaranty to, and the assumption of this Guaranty by a business entity which in the Landlord's reasonable judgment is a reasonable substitute for the Guarantor considering both the reputation and financial capacity of the proposed substitute Guarantor; and upon any such assignment and assumption by such an entity, Landlord shall release the undersigned Guarantor from further liability hereunder and shall look solely to the assignee for performance of this Guaranty.

Until all the covenants and conditions regarding the payment of Fixed Rent, Supplemental Rent and/or Additional Rent in said Lease on Tenant's part to be performed and observed are fully performed and observed, Guarantor shall have no right of subrogation against Tenant by reason of any payments or acts of performance by the Guarantor, in compliance with the obligations of the Guarantor hereunder.

All of the Landlord's rights and remedies under the said Lease or under this Guaranty are intended to be distinct, separate and cumulative and no such right and remedy therein or herein contained is to be in exclusion of or a waiver of any of the others.

No delay on the part of Landlord in exercising any right, power or privilege under this Guaranty or failure to exercise the same shall operate as a waiver of, or otherwise affect any such right, power or privilege, nor shall any single or partial exercise thereof preclude any other or further exercise of any right, power or privilege.

No waiver or modification of any provision of this Guaranty or the Lease shall be effective unless in writing and signed by Landlord and Guarantor, nor shall be chargeable to and paid by the Guarantor.

The Guarantor irrevocably consents to jurisdiction and venue of any cause of action arising under or relating to the said Lease and/or this Guaranty solely and exclusively in the state or federal courts of New Jersey. The Guarantor hereby irrevocably consents and agrees to transfer of any such action pending in any other jurisdiction to the state or federal courts in New Jersey. The Guarantor agrees that service of process in the same manner as provided herein for service of notices shall be sufficient to obtain in personam jurisdiction over the Guarantor in any action instituted by Landlord to enforce this Guaranty in the state or federal courts of New Jersey.

Any notice to or demand of Guarantor hereunder shall be delivered by hand or reputable overnight courier service, mailed by certified or registered mail, to Guarantor at 22, avenue Montaigne, 75008 Paris, Attention: General Counsel with a copy to LVMH Moet Hennessy Louis Vuitton Inc., 19 East 57th Street, New York, New York 10022 Attention: General Counsel or to such other address within the United States as Guarantor shall furnish in writing to Landlord. Any such notice or demand shall be deemed to have been given on the date of receipted delivery or refusal to accept delivery as

provided herein or the date delivery is first attempted but cannot be made due to a change of address of which no notice was given

GUARANTOR AND LANDLORD EACH HEREBY WAIVES TRIAL BY JURY AND THE RIGHT THERETO IN ANY ACTION OR PROCEEDING OF ANY KIND OR NATURE, ARISING ON, UNDER OR BY REASON OF OR RELATING TO, THIS GUARANTY OR ANY AGREEMENT COLLATERAL HERETO.

This Agreement is entered into in the State of New Jersey and shall be governed and construed according to the laws of the State of New Jersey.

IN WITNESS WHEREOF, the Guarantor has hereunto set its hand and seal this __ day of November, 2011.

WITNESS: LVMH MOET HENNESSY LOUIS VUITTON S.A.

_____

By: _____

ACKNOWLEDGMENT:

State of)
) SS.
County of)

On this _____ day of _____, 2011,
_____, personally came before me and stated to my satisfaction that this person:
(a) was the maker of the attached instrument;
(b) was authorized to and did execute this instrument as _____ of LVMH MOET HENNESSY LOUIS VUITTON, S.A., the entity named in this instrument; and
(c) the seal affixed to the said instrument is such entity seal and it was so affixed by Resolution/Order of the of the Members/Board of Directors of said entity;
(d) executed this instrument as the act of the entity named in this instrument.

_____
Notary Public

Schedule "F"
Rules and Regulations

1. Tenant will undertake a general maintenance program, either through its own employees or outside contractors, for general and periodic window cleaning for the Demised Premises, when necessary.

2. Tenant shall not permit debris, paper or other waste from accumulating in the parking lot, landscape or open space areas as a result of actions of Tenant. If Tenant is not keeping the exterior of the Demised Premises free from such waste and refuse in Landlord's reasonable judgment, Landlord shall contract for the routine cleanup of this area at the sole cost and expense of Tenant.

3. Tenant shall, at all times, supply sufficient heat to assure that the Demised Premises is kept at a temperature greater than fifty (50) degrees Fahrenheit.

4. All movable material handling equipment in the warehouse area shall use only soft, rubber wheels and no such equipment shall use hard rubber, steel, or plastic wheels.

5. Tenant agrees that it will supply the names, addresses and telephone numbers of at least two (2) representatives of Tenant who can be contacted in the event of an emergency. Tenant will keep such "emergency list" current.

6. Any loading equipment installed/replaced by Tenant at the Demised Premises shall be as follows:

Loading Doors:
All new loading doors shall be manual, vertical lift insulated steel sectional doors as manufactured by Fimbel Door Corporation or an approved equivalent manufacturer to include the following:

1. Full perimeter weatherseals
2. 2" thick foam in place insulated sections
3. Inside slide locks
4. One (1) 20" x 5" vision lite
5. Color to be factory prefinished white.

Dock Levelers:
All new dock levelers shall be 6'0" x 8'0", 35,000 lbs. capacity mechanical dock levelors manufactured by Rite-Hite Corporation

Dock Seals:
All new dock seals for 8'0" x 8'0" openings shall be Frommelt Model ATP 791 painted black. All new dock seals for any other size opening shall be Frommelt Model ATP 793 with adjustable, pull-rope curtain headers and overlapping 8" Armor Pleats on side pads and head curtain.

7. Any roofing system which may be installed by the Tenant at the Demised Premises shall be to the following specification:

Carlisle Golden Seal Total Roofing System:
All new roofing systems shall be a fully adhered single-ply .060 mil EPDM roof as manufactured by Carlisle, Firestone or an equivalent manufacturer. The roof membrane and insulation shall have a warranty from the roof manufacturer for a period of no less than ten (10) years.

Upon notice by Landlord to Tenant of a breach of any of the Rules and Regulations Tenant shall, within five (5) days thereafter, comply with such rule and regulation and in the event Tenant shall not comply, then Landlord may at its discretion either: (i) cure such condition and add any reasonable cost and expense incurred by the Landlord therefore to the next installment of Additional Rent due under the Lease; or (ii) treat such failure on the part of the Tenant to remedy such condition as a material breach of the Lease on the part of the Tenant.

Exhibit 21

Subsidiaries of G-III

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION
G-III Leather Fashions, Inc.	New York
AM Retail Group, Inc.	Delaware
G-III Apparel Canada ULC	British Columbia, Canada
G-III Hong Kong Limited	Hong Kong
Kostroma Limited	Hong Kong
G-III Asia, Limited	Hong Kong
Hangzhou G-III Apparel Trading Co., Ltd	China
Riviera Sun, Inc.	Delaware
VBQ Acquisition B.V.	Netherlands
G-III Foreign Holdings C.V.	Netherlands
Vilebrequin International SA	Switzerland
GKL Holdings Coöperatief U.A.	Netherlands
GKL Holdings B.V.	Netherlands
T.R.B. International SA	Switzerland
Tropezina S.L.	Spain
Vilebrequin France SAS	France
TRB (Singapore) S.E. Asia PTE Ltd.	Singapore
Lobst SAS	France
TRB Belgique SPRL	Belgium
Riley SA	Switzerland
Sole SRL	Italy
La Plage Ltd.	United Kingdom
T.R.B. Hong Kong Ltd.	Hong Kong
TRB Macao Ltd.	Macao
Riley & Cie S.C.S.	Monaco
TRB Portugal, Comercio de Vestuario Unipessoal LDA	Portugal
TRB International SA, succursale Saint Bathelemy	France
Naiman GmbH	Switzerland
Vilebrequin Sint Maarten	St. Maarten
Vilebrequin Deutschland GmbH	Germany
Donna Karan International Inc.	Delaware
Gabrielle Studio, Inc.	New York
The Donna Karan Company LLC	New York
The Donna Karan Company Store LLC	New York
Donna Karan Studio LLC	New York
Donna Karan International (Canada) Inc.	Canada
Donna Karan (H.K.) Ltd	Hong Kong
Donna Karan (Italy) S.r.l	Italy
Donna Karan Service Company B.V.	Holland
Donna Karan Company Store Ireland Limited	Ireland
Donna Karan Company Stores UK Holding Ltd.	United Kingdom
The Donna Karan Company Store Limited	United Kingdom
Donna Karan Company Stores UK Retail Ltd.	United Kingdom
Donna Karan Management Company UK Ltd.	United Kingdom
G-III Leather Fashions, Inc.	New York
AM Retail Group, Inc.	Delaware
G-III Apparel Canada ULC	British Columbia, Canada

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-80937) of G-III Apparel Group, Ltd.,
(2) Registration Statement (Form S-8 No. 333-115010) of G-III Apparel Group, Ltd.,
(3) Registration Statement (Form S-8 No. 333-125804) of G-III Apparel Group, Ltd.,
(4) Registration Statement (Form S-8 No. 333-143974) of G-III Apparel Group, Ltd.,
(5) Registration Statement (Form S-8 No. 333-160056) of G-III Apparel Group, Ltd.,
(6) Registration Statement (Form S-8 No. 333-184700) of G-III Apparel Group, Ltd., and
(7) Registration Statement (Form S-8 No. 333-205602) of G-III Apparel Group, Ltd.

of our reports dated April 3, 2017, with respect to the consolidated financial statements and schedule of G-III Apparel Group, Ltd. and subsidiaries and the effectiveness of internal control over financial reporting of G-III Apparel Group, Ltd. and subsidiaries, included in this Annual Report (Form 10-K) of G-III Apparel Group, Ltd. and subsidiaries for the year ended January 31, 2017.

/s/ Ernst & Young LLP

New York, New York
April 3, 2017

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a – 14(a) OR RULE 15d – 14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Morris Goldfarb, certify that:

1. I have reviewed this Annual Report on Form 10-K of G-III Apparel Group, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 3, 2017

/s/ Morris Goldfarb
Morris Goldfarb
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a – 14(a) OR RULE 15d – 14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Neal S. Nackman, certify that:

1. I have reviewed this Annual Report on Form 10-K of G-III Apparel Group, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 3, 2017

/s/ Neal S. Nackman
Neal S. Nackman
Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report of G-III Apparel Group, Ltd. (the "Company") on Form 10-K for the fiscal year ended January 31, 2017 (the "Report"), I, Morris Goldfarb, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

April 3, 2017

/s/ Morris Goldfarb
Morris Goldfarb
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Annual Report of G-III Apparel Group, Ltd. (the "Company") on Form 10-K for the fiscal year ended January 31, 2017 (the "Report"), I, Neal S. Nackman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

April 3, 2017

/s/ Neal S. Nackman
Neal S. Nackman
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.