ESTEE LAUDER COMPANIES INC (EL)

767 FIFTH AVE
NEW YORK, NY, 10153
212−572−4200
www.elcompanies.com

10−Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 1/28/2010
Filed Period 12/31/2009

Table of Contents

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

FORM 10−Q

(Mark One)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended December 31, 2009

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to

Commission file number: 1−14064

The Estée Lauder Companies Inc.
(Exact name of registrant as specified in its charter)

Delaware	**11−2408943**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
767 Fifth Avenue, New York, New York	**10153**
(Address of principal executive offices)	(Zip Code)

212−572−4200
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 whether 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.

Large accelerated filer ☒	Accelerated filer ☐
Non−accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

At January 22, 2009, 118,920,894 shares of the registrant's Class A Common Stock, $.01 par value, and 78,017,261 shares of the registrant's Class B Common Stock, $.01 par value, were outstanding.

Table of Contents

THE ESTÉE LAUDER COMPANIES INC.

INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements.*

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended December 31		Six Months Ended December 31	
	2009	2008	2009	2008
	(In millions, except per share data)			
Net Sales	$ 2,262.3	$ 2,041.0	$ 4,095.7	$ 3,944.5
Cost of Sales	525.4	508.0	970.5	1,008.1
Gross Profit	1,736.9	1,533.0	3,125.2	2,936.4
Operating expenses:				
Selling, general and administrative	1,282.4	1,262.4	2,432.1	2,573.2
Restructuring and other special charges	9.3	0.3	27.5	0.4
Goodwill impairment	16.6	—	16.6	—
Impairment of intangible assets	29.0	—	29.0	—
	1,337.3	1,262.7	2,505.2	2,573.6
Operating Income	399.6	270.3	620.0	362.8
Interest expense, net	19.9	19.6	39.5	34.9
Earnings before Income Taxes	379.7	250.7	580.5	327.9
Provision for income taxes	118.0	89.4	181.0	117.0
Net Earnings	261.7	161.3	399.5	210.9
Net earnings attributable to noncontrolling interests	(5.5)	(3.3)	(2.6)	(1.8)
Net Earnings Attributable to The Estée Lauder Companies Inc.	$ 256.2	$ 158.0	$ 396.9	$ 209.1
Net earnings attributable to The Estée Lauder Companies Inc. per common share:				
Basic	$ 1.30	$ .80	$ 2.01	$ 1.07
Diluted	1.28	.80	1.99	1.06
Weighted average common shares outstanding:				
Basic	197.3	196.6	197.0	195.9
Diluted	200.4	197.5	199.3	198.1
Cash dividends declared per common share	$ .55	$ .55	$ .55	$ .55

See notes to consolidated financial statements.

Table of Contents

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED BALANCE SHEETS

	December 31 2009 (Unaudited)	June 30 2009
	($ in millions)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,223.6	$ 864.5
Accounts receivable, net	1,098.5	853.3
Inventory and promotional merchandise, net	756.4	795.0
Prepaid expenses and other current assets	371.0	399.7
Total current assets	3,449.5	2,912.5
Property, Plant and Equipment, net	1,012.0	1,026.7
Other Assets		
Investments, at cost or market value	13.0	12.7
Goodwill	751.4	759.9
Other intangible assets, net	123.6	150.1
Other assets	362.0	314.7
Total other assets	1,250.0	1,237.4
Total assets	$ 5,711.5	$ 5,176.6
LIABILITIES AND EQUITY		
Current Liabilities		
Short−term debt	$ 27.8	$ 33.8
Accounts payable	314.3	329.8
Accrued income taxes	110.5	33.2
Other accrued liabilities	1,203.1	1,062.4
Total current liabilities	1,655.7	1,459.2
Noncurrent Liabilities		
Long−term debt	1,375.9	1,387.6
Accrued income taxes	259.7	259.1
Other noncurrent liabilities	411.6	406.7
Total noncurrent liabilities	2,047.2	2,053.4
Contingencies (Note 7)		
Equity		
Common stock, $.01 par value; 650,000,000 shares Class A authorized; shares issued: 186,066,807 at December 31, 2009 and 183,921,350 at June 30, 2009; 240,000,000 shares Class B authorized; shares issued and outstanding: 78,017,261 at December 31, 2009 and 78,067,261 at June 30, 2009	2.6	2.6
Paid−in capital	1,236.5	1,145.6
Retained earnings	3,482.7	3,195.0
Accumulated other comprehensive loss	(77.0)	(117.1)
	4,644.8	4,226.1
Less: Treasury stock, at cost; 66,900,196 Class A shares at December 31, 2009 and 65,294,477 Class A shares at June 30, 2009	(2,663.2)	(2,586.1)
Total stockholders' equity — The Estée Lauder Companies Inc.	1,981.6	1,640.0
Noncontrolling interests	27.0	24.0
Total equity	2,008.6	1,664.0
Total liabilities and equity	$ 5,711.5	$ 5,176.6

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended December 31	
	2009	2008
	(In millions)	
Cash Flows from Operating Activities		
Net earnings	$ 399.5	$ 210.9
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	127.7	125.9
Deferred income taxes	(28.9)	(2.1)
Non−cash stock−based compensation	30.8	32.1
Excess tax benefits from stock−based compensation arrangements	(1.0)	(1.4)
Loss on disposal of property, plant and equipment	10.8	4.0
Non−cash charges associated with restructuring activities	7.0	—
Goodwill and intangible asset impairments	45.6	—
Other non−cash items	0.3	0.9
Changes in operating assets and liabilities:		
Increase in accounts receivable, net	(226.3)	(88.9)
Decrease in inventory and promotional merchandise, net	48.6	14.7
Decrease (increase) in other assets, net	2.0	(67.9)
Decrease in accounts payable	(22.2)	(30.5)
Increase (decrease) in accrued income taxes	95.3	(20.5)
Increase in other liabilities	127.7	39.5
Net cash flows provided by operating activities	616.9	216.7
Cash Flows from Investing Activities		
Capital expenditures	(104.2)	(157.5)
Acquisition of businesses and other intangible assets, net of cash acquired	(9.3)	(63.8)
Proceeds from the disposition of long−term investments	—	0.8
Purchases of long−term investments	(0.1)	(0.4)
Net cash flows used for investing activities	(113.6)	(220.9)
Cash Flows from Financing Activities		
Increase (decrease) in short−term debt, net	(5.3)	121.8
Proceeds from issuance of long−term debt, net	—	297.7
Repayments and redemptions of long−term debt	(15.0)	(7.6)
Net proceeds from stock−based compensation transactions	56.3	109.5
Excess tax benefits from stock−based compensation arrangements	1.0	1.4
Payments to acquire treasury stock	(78.1)	(62.6)
Dividends paid to stockholders	(109.1)	(108.4)
Net cash flows (used for) provided by financing activities	(150.2)	351.8
Effect of Exchange Rate Changes on Cash and Cash Equivalents	6.0	(20.4)
Net Increase in Cash and Cash Equivalents	359.1	327.2
Cash and Cash Equivalents at Beginning of Period	864.5	401.7
Cash and Cash Equivalents at End of Period	$ 1,223.6	$ 728.9

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 —SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of The Estée Lauder Companies Inc. and its subsidiaries (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated.

The unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10−Q and Rule 10−01 of Regulation S−X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments of a normal recurring nature considered necessary for a fair presentation have been included. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the full fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's Annual Report on Form 10−K for the year ended June 30, 2009.

In accordance with recently adopted accounting guidance, net earnings attributable to The Estée Lauder Companies Inc. and net earnings attributable to noncontrolling interests are disclosed separately on the face of the accompanying consolidated statements of earnings. In addition, noncontrolling interests are reported as a separate component of equity in the consolidated balance sheets. Except as otherwise indicated, references to net earnings or components of stockholders' equity in the notes to consolidated financial statements will represent amounts attributable to The Estée Lauder Companies Inc. Accordingly, certain amounts in the consolidated financial statements of prior periods have been reclassified to conform to current period presentation.

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the consolidated financial statements were issued.

Management Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses reported in those financial statements. Certain significant accounting policies that contain subjective management estimates and assumptions include those related to revenue recognition, inventory, pension and other post−retirement benefit costs, goodwill, intangible assets and other long−lived assets, income taxes and derivatives. Descriptions of these policies are discussed in the Company's Annual Report on Form 10−K for the year ended June 30, 2009. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. Illiquid credit markets, volatile equity markets, changes in foreign currency exchange rates and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from those estimates and assumptions. Significant changes, if any, in those estimates resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

Currency Translation and Transactions

All assets and liabilities of foreign subsidiaries and affiliates are translated at period−end rates of exchange, while revenue and expenses are translated at weighted average rates of exchange for the period. Unrealized translation gains or losses are reported as cumulative translation adjustments through other comprehensive income (loss). Such adjustments amounted to $0.1 million of unrealized translation gains, net of tax, and $124.7 million of unrealized translation losses, net of tax, during the three months ended December 31, 2009 and 2008, respectively, and $33.7 million of unrealized translation gains, net of tax, and $208.7 million of unrealized translation losses, net of tax, during the six months ended December 31, 2009 and 2008, respectively. The accompanying consolidated statements of earnings include net exchange losses on foreign currency transactions of $13.1 million and $6.2 million during the three months ended December 31, 2009 and 2008, respectively, and $13.5 million and $26.2 million during the six months ended December 31, 2009 and 2008, respectively.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounts Receivable

Accounts receivable is stated net of the allowance for doubtful accounts and customer deductions totaling $41.9 million and $41.4 million as of December 31, 2009 and June 30, 2009, respectively.

Concentration of Credit Risk

The Company is a worldwide manufacturer, marketer and distributor of skin care, makeup, fragrance and hair care products. Domestic and international sales are made primarily to department stores, perfumeries and specialty retailers. The Company grants credit to all qualified customers and does not believe it is exposed significantly to any undue concentration of credit risk.

The Company's largest customer sells products primarily within the United States and accounted for $225.4 million, or 10% and $238.6 million, or 12%, of the Company's consolidated net sales for the three months ended December 31, 2009 and 2008, respectively, and $471.5 million, or 12% and $502.9 million, or 13%, of the Company's consolidated net sales for the six months ended December 31, 2009 and 2008, respectively. This customer accounted for $104.4 million, or 10%, and $97.1 million, or 11%, of the Company's accounts receivable at December 31, 2009 and June 30, 2009, respectively.

Inventory and Promotional Merchandise

	December 31 2009	June 30 2009
	(In millions)	
Inventory and promotional merchandise, net consists of:		
Raw materials	$ 196.8	$ 188.5
Work in process	36.7	43.8
Finished goods	353.1	375.6
Promotional merchandise	169.8	187.1
	$ 756.4	$ 795.0

Property, Plant and Equipment

Property, plant and equipment consists of:

	December 31 2009	June 30 2009
	(In millions)	
Assets (Useful Life)		
Land	$ 14.6	$ 14.5
Buildings and improvements (10 to 40 years)	187.2	183.2
Machinery and equipment (3 to 10 years)	1,116.3	1,080.2
Furniture and fixtures (5 to 10 years)	90.8	86.1
Leasehold improvements	1,128.3	1,112.8
	2,537.2	2,476.8
Less accumulated depreciation and amortization	1,525.2	1,450.1
	$ 1,012.0	$ 1,026.7

The cost of assets related to projects in progress of $139.0 million and $144.9 million as of December 31, 2009 and June 30, 2009, respectively, is included in their respective asset categories in the table above. Depreciation and amortization of property, plant and equipment was $59.2 million and $60.0 million during the three months ended December 31, 2009 and 2008, respectively, and $121.2 million and $119.3 million during the six months ended December 31, 2009 and 2008, respectively. Depreciation and amortization related to the Company's manufacturing process is included in cost of sales and all other depreciation and amortization is included in selling, general and administrative expenses in the accompanying consolidated statements of earnings.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes

The effective rate for income taxes was 31.1% and 35.7% for the three months ended December 31, 2009 and 2008, respectively, and 31.2% and 35.7% for the six months ended December 31, 2009 and 2008, respectively. The decrease in the effective income tax rate was primarily attributable to a lower effective tax rate relating to the Company's foreign operations.

As of December 31, 2009 and June 30, 2009, the gross amount of unrecognized tax benefits, exclusive of interest and penalties, totaled $259.2 million and $259.1 million, respectively. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $133.0 million. The total gross interest and penalties accrued related to unrecognized tax benefits during the three and six months ended December 31, 2009 in the accompanying consolidated statements of earnings was $0.3 million and $3.3 million, respectively. The total gross accrued interest and penalties in the accompanying consolidated balance sheets at December 31, 2009 and June 30, 2009 was $71.8 million and $67.9 million, respectively. On the basis of the information available as of December 31, 2009, it is reasonably possible that the total amount of unrecognized tax benefits could decrease in a range of $30 million to $60 million within 12 months as a result of projected resolutions of global tax examinations and controversies and a potential lapse of the applicable statutes of limitations.

Recently Adopted Accounting Standards

In August 2009, the FASB issued authoritative guidance to provide clarification on measuring liabilities at fair value when a quoted price in an active market is not available. In these circumstances, a valuation technique should be applied that uses either the quote of the liability when traded as an asset, the quoted prices for similar liabilities or similar liabilities when traded as assets, or another valuation technique consistent with existing fair value measurement guidance, such as an income approach or a market approach. The new guidance also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. This guidance became effective for the Company's fiscal 2010 second quarter and did not have an impact on the Company's consolidated financial statements.

In June 2009, the FASB established the FASB Accounting Standards Codification™ (the "Codification") as the single source of authoritative U.S. generally accepted accounting principles ("U.S. GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the United States Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. The Codification did not have a material impact on the Company's consolidated financial statements upon adoption. Accordingly, the Company's notes to consolidated financial statements will explain accounting concepts rather than cite the topics of specific U.S. GAAP.

In April 2009, the FASB issued authoritative guidance that principally requires publicly traded companies to provide disclosures about fair value of financial instruments in interim financial information. The adoption of this disclosure−only guidance is included in Note 5 — Fair Value Measurements and did not have an impact on the Company's consolidated financial results.

In April 2009, the FASB issued authoritative guidance to require that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably determined. If the fair value of such assets or liabilities cannot be reasonably determined, then they would generally be recognized in accordance with certain other pre−existing accounting standards. This guidance also amends the subsequent accounting for assets and liabilities arising from contingencies in a business combination and certain other disclosure requirements. This guidance became effective for assets or liabilities arising from contingencies in business combinations that are consummated on or after the beginning of the Company's fiscal 2010 and did not have an impact on the Company's consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In November 2008, the FASB issued authoritative guidance regarding the accounting for defensive intangible assets. Defensive intangible assets are assets acquired in a business combination that the acquirer (a) does not intend to use or (b) intends to use in a way other than the assets' highest and best use as determined by an evaluation of market participant assumptions. While defensive intangible assets are not being actively used, they are likely contributing to an increase in the value of other assets owned by the acquiring entity. This guidance will require defensive intangible assets to be accounted for as separate units of accounting at the time of acquisition and the useful life of such assets would be based on the period over which the assets will directly or indirectly affect the entity's cash flows. This guidance is to be applied prospectively for defensive intangible assets acquired on or after the beginning of the Company's fiscal 2010 and did not have an impact on the Company's consolidated financial statements.

In November 2008, the FASB issued authoritative guidance to address questions about equity−method accounting. The primary issues include how the initial carrying value of an equity method investment should be determined, how to account for any subsequent purchases and sales of additional ownership interests, and whether the investor must separately assess its underlying share of the investee's indefinite−lived intangible assets for impairment. This guidance became effective beginning in the Company's fiscal 2010 and did not have an impact on the Company's consolidated financial statements.

In April 2008, the FASB issued authoritative guidance to amend the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset and to require additional disclosures. The guidance for determining useful lives must be applied prospectively to intangible assets acquired after the effective date. The disclosure requirements must be applied prospectively to all intangible assets recognized as of the effective date. This guidance became effective for fiscal years, and interim periods within those fiscal years, beginning in the Company's fiscal 2010 and did not have a material impact on the Company's consolidated financial statements.

In February 2008, the FASB issued authoritative guidance that permitted the delayed application of fair value measurement accounting to nonrecurring nonfinancial assets and nonfinancial liabilities. The Company's nonfinancial assets and nonfinancial liabilities principally consist of intangible assets acquired through business combinations, long−lived assets when assessing potential impairment, and liabilities associated with restructuring activities. This guidance became effective beginning in the Company's fiscal 2010. See Note 5 — Fair Value Measurements for further discussion on the application of fair value measurements.

In December 2007, the FASB issued authoritative guidance to affirm that the acquisition method of accounting (previously referred to as the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This guidance defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. Among other requirements, this guidance requires the acquiring entity in a business combination to recognize the identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree at their acquisition−date fair values, with limited exceptions; acquisition−related costs generally will be expensed as incurred. This guidance requires certain financial statement disclosures to enable users to evaluate and understand the nature and financial effects of the business combination. This guidance must be applied prospectively to business combinations that are consummated on or after July 1, 2009. During the six months ended December 31, 2009, the Company did not have significant business combinations. Accordingly, the adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued authoritative guidance to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Among other requirements, this guidance clarifies that a noncontrolling interest in a subsidiary, which is sometimes referred to as minority interest, is to be reported as a separate component of equity in the consolidated financial statements. This guidance also requires consolidated net income to include the amounts attributable to both the parent and the noncontrolling interest and to disclose those amounts on the face of the consolidated statement of earnings. This guidance must be applied prospectively for fiscal years, and interim periods within those fiscal years, beginning in the Company's fiscal 2010, except for the presentation and disclosure requirements, which will be applied retrospectively for all periods presented. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In December 2007, the FASB issued authoritative guidance to address accounting for collaborative arrangement activities that are conducted without the creation of a separate legal entity for the arrangement. Revenues and costs incurred with third parties in connection with the collaborative arrangement should be presented gross or net by the collaborators pursuant to pre−existing accounting standards. Payments to or from collaborators should be presented in the income statement based on the nature of the arrangement, the nature of the company's business and whether the payments are within the scope of other accounting literature. Other detailed information related to the collaborative arrangement is also required to be disclosed. The requirements under this guidance must be applied to collaborative arrangements in existence at the beginning of the Company's fiscal 2010 using a modified version of retrospective application. The Company is currently not a party to significant collaborative arrangement activities, as defined by this guidance, and therefore the adoption of this guidance did not have an impact on the Company's consolidated financial statements.

Recently Issued Accounting Standards

In June 2009, the FASB issued authoritative guidance to eliminate the exception to consolidate a qualifying special−purpose entity, change the approach to determining the primary beneficiary of a variable interest entity and require companies to more frequently re−assess whether they must consolidate variable interest entities. Under the new guidance, the primary beneficiary of a variable interest entity is identified qualitatively as the enterprise that has both (a) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance, and (b) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. This guidance becomes effective for the Company's fiscal 2011 year−end and interim reporting periods thereafter. The Company does not maintain any variable interests with unconsolidated entities that would be expected to have a material impact on its financial condition or results of operations. Accordingly, the Company does not expect this guidance to have a material impact on its consolidated financial statements.

In December 2008, the FASB issued authoritative guidance to require employers to provide additional disclosures about plan assets of a defined benefit pension or other post−retirement plan. These disclosures should principally include information detailing investment policies and strategies, the major categories of plan assets, the inputs and valuation techniques used to measure the fair value of plan assets and an understanding of significant concentrations of risk within plan assets. While earlier application of this guidance is permitted, the required disclosures shall be provided for fiscal years ending after December 15, 2009 (the Company's fiscal 2010, the anticipated period of adoption). Upon initial application, this guidance is not required to be applied to earlier periods that are presented for comparative purposes. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

NOTE 2 — GOODWILL AND OTHER INTANGIBLE ASSETS

During the second quarter of fiscal 2010, the Ojon reporting unit altered and delayed certain components of its future expansion plans, resulting in revisions to its internal forecasts. The Company concluded that these changes in circumstances in the Ojon reporting unit triggered the need for an interim impairment review of its goodwill and trademark. Additionally, these changes in circumstances were also an indicator that the carrying amount of the customer list may not be recoverable. The Company performed an interim impairment test for the trademark and a recoverability test for the customer list as of December 31, 2009 on this reporting unit. The Company concluded that the carrying value of the Ojon trademark and customer list exceeded their estimated fair values, which were determined based on the application of a royalty rate to discounted estimated future cash flows ("relief−from−royalty method") for the trademark and discounted expected future cash flows for the customer list. As a result, the Company recognized impairment charges of $6.0 million for the trademark and $17.2 million for the customer list, at the exchange rate in effect at that time. After adjusting the carrying value of the trademark and customer list, the Company completed an interim impairment test for goodwill and recorded a goodwill impairment charge related to the Ojon reporting unit of $16.6 million at the exchange rate in effect at that time. The fair value of the reporting unit was based upon weighting of the income and market approaches, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows, as well as valuation multiples derived from comparable publicly traded companies that are applied to operating performance of the reporting unit. These impairment charges were reflected in the hair care and skin care product categories and in the Americas region. As of December 31, 2009, the carrying value of goodwill related to the Ojon reporting unit was $28.1 million.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During the second quarter of fiscal 2010, the Darphin reporting unit identified issues related to the planned streamlining of its distribution process, resulting in revisions to its internal forecasts. The Company concluded that these changes in circumstances in the Darphin reporting unit triggered the need for an interim impairment test of its trademark and goodwill. The Company determined that the trademark was impaired, with fair value estimated based upon the relief−from−royalty method, and therefore recorded an impairment charge of $5.8 million in the skin care product category and in the Europe, the Middle East & Africa region. After adjusting the carrying value of the trademark, the Company completed step one of the impairment test for goodwill and concluded that the fair value of the Darphin reporting unit was in excess of its carrying value including goodwill. The fair value of the reporting unit was based upon the income approach, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows. As of December 31, 2009, the carrying value of goodwill related to the Darphin reporting unit was $10.3 million.

Other intangible assets consists of the following:

	December 31, 2009			June 30, 2009		
(In millions)	Gross Carrying Value	Accumulated Amortization	Total Net Book Value	Gross Carrying Value	Accumulated Amortization	Total Net Book Value
Amortizable intangible assets:						
Customer lists and other	$ 200.1	$ 133.7	$ 66.4	$ 199.2	$ 115.9	$ 83.3
License agreements	43.2	43.0	0.2	43.2	43.0	0.2
	$ 243.3	$ 176.7	66.6	$ 242.4	$ 158.9	83.5
Non−amortizable intangible assets:						
Trademarks and other			57.0			66.6
Total intangible assets			$ 123.6			$ 150.1

The aggregate amortization expense related to amortizable intangible assets for the three months ended December 31, 2009 and 2008 was $2.6 million and $2.7 million, respectively, and for the six months ended December 31, 2009 and 2008 was $5.1 million and $5.5 million, respectively. The estimated aggregate amortization expense for the remainder of fiscal 2010 and each of fiscal years ending June 30, 2011 to 2014 is $4.8 million, $9.7 million, $9.3 million, $8.9 million and $6.6 million, respectively.

NOTE 3 — CHARGES ASSOCIATED WITH RESTRUCTURING ACTIVITIES

In an effort to drive down costs and achieve synergies within the organization, in February 2009, the Company announced the implementation of a multi−faceted cost savings program (the "Program") to position itself to achieve long−term profitable growth. The Company anticipates the Program will result in related restructuring and other special charges, inclusive of cumulative charges recorded to date and over the next few fiscal years, totaling between $350 million and $450 million before taxes.

The Program focuses on a redesign of the Company's organizational structure in order to integrate it in a more cohesive way and operate more globally across brands and functions. The principal aspect of the Program is the reduction of the workforce by approximately 2,000 employees. Specific actions taken during the six months ended December 31, 2009 included:

- Resize and Reorganize the Organization — The Company continued the realignment and optimization of its organization to better leverage scale, improve productivity and reduce complexity in each region and across various functions. This included reduction of the workforce which occurred through the consolidation of certain functions through a combination of normal attrition and job eliminations.

- Exit Unprofitable Operations — To improve the profitability in certain of the Company's brands and regions, the Company has selectively exited certain channels of distribution, categories and markets. During the first quarter of fiscal 2010, the Company approved the exit from the global wholesale distribution of its Prescriptives brand by January 31, 2010. In connection with these activities, the Company recorded a reserve for anticipated product returns, wrote off inventory and incurred costs to reduce workforce and other exit costs.

- Outsourcing — In order to balance the growing need for information technology support with the Company's efforts to provide the most efficient and cost effective solutions, the Company continued the outsourcing of certain information technology processes. The Company incurred costs to transition services to an outsource provider.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents aggregate restructuring charges related to the Program:

(In millions)	Employee−Related Costs	Asset Write−offs	Contract Terminations	Other Exit Costs	Total
Fiscal 2009	$ 60.9	$ 4.2	$ 3.4	$ 1.8	$ 70.3
Three months ended September 30, 2009	13.4	0.2	0.6	0.5	14.7
Three months ended December 31, 2009	0.6	0.5	0.6	4.2	5.9
Charges recorded through December 31, 2009	$ 74.9	$ 4.9	$ 4.6	$ 6.5	$ 90.9

The total amount of restructuring charges expected to be incurred (including those recorded as set forth in the table above), plus other initiatives approved through January 20, 2010, include approximately $94 million for employee−related costs, approximately $9 million in asset write−offs and approximately $20 million of contract terminations and other exit costs.

The following table presents accrued restructuring and the related activity as of and for the six months ended December 31, 2009 under the Program:

(In millions)	Employee−Related Costs	Asset Write−offs	Contract Terminations	Other Exit Costs	Total
Balance at June 30, 2009	$ 51.6	$ —	$ 2.9	$ 0.2	$ 54.7
Charges	14.0	0.7	1.2	4.7	20.6
Cash payments	(27.5)	—	(1.1)	(2.0)	(30.6)
Non−cash write−offs	—	(0.7)	—	—	(0.7)
Translation adjustments	0.6	—	—	—	0.6
Balance at December 31, 2009	$ 38.7	$ —	$ 3.0	$ 2.9	$ 44.6

Accrued restructuring charges at December 31, 2009 are expected to result in cash expenditures funded from cash provided by operations of approximately $29 million, $14 million and $2 million in fiscal 2010, 2011 and 2012, respectively.

The Company recorded other special charges in connection with the implementation of the Program for the three and six months ended December 31, 2009 of $3.4 million and $6.9 million, respectively, related to consulting, other professional services, and accelerated depreciation. The total amount of other special charges expected to be incurred to implement these initiatives, including those recorded through December 31, 2009 plus other initiatives approved through January 20, 2010, is approximately $40 million. During the three months ended December 31, 2009, the Company recorded adjustments to reflect revised estimates of anticipated sales returns and the write−off of inventory related to the exit from the global wholesale distribution of the Prescriptives brand. For the three months ended December 31, 2009, the Company recorded an adjustment of $7.4 million to reduce anticipated sales returns and a related cost of sales of $1.6 million in addition to a benefit of $3.2 million to reduce the anticipated write−off of inventory associated with exiting unprofitable operations. For the six months ended December 31, 2009, the Company recorded $11.1 million reflecting anticipated sales returns (less a related cost of sales of $2.3 million) and a write−off of inventory associated with exiting unprofitable operations of $6.3 million. The total amounts expected to be incurred, including those recorded through December 31, 2009 plus other initiatives approved through January 20, 2010, is between $33 million and $36 million related to sales returns and approximately $11 million related to inventory write−offs.

Total charges associated with restructuring activities included in operating income for the three and six months ended December 31, 2009 were $0.3 million and $42.6 million, respectively.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 — DERIVATIVE FINANCIAL INSTRUMENTS

The Company addresses certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. The Company primarily enters into foreign currency forward and option contracts to reduce the effects of fluctuating foreign currency exchange rates and interest rate derivatives to manage the effects of interest rate movements on the Company's aggregate liability portfolio. The Company also enters into foreign currency forward and option contracts, not designated as hedging instruments, to mitigate the change in fair value of specific assets and liabilities on the balance sheet. The Company does not utilize derivative financial instruments for trading or speculative purposes. Costs associated with entering into these derivative financial instruments have not been material to the Company's consolidated financial results.

For each derivative contract entered into where the Company looks to obtain special hedge accounting treatment, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk−management objective and strategy for undertaking the hedge transaction, the nature of the risk being hedged, how the hedging instruments' effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. If it is determined that a derivative is not highly effective, or that it has ceased to be a highly effective hedge, the Company will be required to discontinue hedge accounting with respect to that derivative prospectively.

The fair values of the Company's derivative financial instruments included in the consolidated balance sheets as of December 31, 2009 and June 30, 2009 are presented as follows:

	Asset Derivatives			Liability Derivatives		
		Fair Value (1)			Fair Value (1)	
(In millions)	Balance Sheet Location	December 31 2009	June 30 2009	Balance Sheet Location	December 31 2009	June 30 2009
Derivatives Designated as Hedging Instruments:						
Foreign currency forward contracts	Prepaid expenses and other current assets	$ 10.3	$ 13.9	Other accrued liabilities	$ (17.6)	$ (24.9)
Interest rate swap contracts	Other assets	23.8	24.5	Not applicable	—	—
Total Derivatives Designated as Hedging Instruments		34.1	38.4		(17.6)	(24.9)
Derivatives Not Designated as Hedging Instruments:						
Foreign currency forward contracts	Prepaid expenses and other current assets	2.4	2.8	Other accrued liabilities	(4.3)	(1.3)
Total Derivatives		$ 36.5	$ 41.2		$ (21.9)	$ (26.2)

(1) See Note 5 — Fair Value Measurements for further information about how the fair value of derivative assets and liabilities are determined.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The amounts of the gains and losses related to the Company's derivative financial instruments designated as hedging instruments for the three and six months ended December 31, 2009 are presented as follows:

(In millions)	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion) (1)	
	Three Months Ended December 31, 2009	Six Months Ended December 31, 2009		Three Months Ended December 31, 2009	Six Months Ended December 31, 2009
Derivatives in Cash Flow Hedging Relationships:					
Foreign currency forward contracts	$ (1.7)	$ (6.5)	Cost of sales	$ (3.7)	$ (3.7)
			Selling, general and administrative	(4.6)	(6.9)
Total derivatives	$ (1.7)	$ (6.5)		$ (8.3)	$ (10.6)

(1) The amount of loss recognized in earnings related to the amount excluded from effectiveness testing was $0.1 million and $0.4 million for the three and six months ended December 31, 2009. There was no gain (loss) recognized in earnings related to the ineffective portion of the hedging relationships for the three and six months ended December 31, 2009.

(In millions)	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives (1)	
		Three Months Ended December 31, 2009	Six Months Ended December 31, 2009
Derivatives in Fair Value Hedging Relationships:			
Interest rate swap contracts	Interest expense, net	$ (6.7)	$ (0.7)

(1) Changes in the fair values of the interest rate swap agreements are exactly offset by changes in the fair value of the underlying long−term debt.

The amounts of the gains and losses related to the Company's derivative financial instruments not designated as hedging instruments for the three and six months ended December 31, 2009 are presented as follows:

(In millions)	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives	
		Three Months Ended December 31, 2009	Six Months Ended December 31, 2009
Derivatives Not Designated as Hedging Instruments:			
Foreign currency forward contracts	Selling, general and administrative	$ 0.8	$ (3.4)

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Foreign Currency Cash−Flow Hedges

The Company enters into foreign currency forward contracts to hedge anticipated transactions, as well as receivables and payables denominated in foreign currencies, for periods consistent with the Company's identified exposures. The purpose of the hedging activities is to minimize the effect of foreign exchange rate movements on costs and on the cash flows that the Company receives from foreign subsidiaries. The majority of foreign currency forward contracts are denominated in currencies of major industrial countries. The Company may also enter into foreign currency option contracts to hedge anticipated transactions where there is a high probability that anticipated exposures will materialize. The foreign currency forward contracts entered into to hedge anticipated transactions have been designated as foreign currency cash−flow hedges and have varying maturities through the end of June 2010. Hedge effectiveness of foreign currency forward contracts is based on a hypothetical derivative methodology and excludes the portion of fair value attributable to the spot−forward difference which is recorded in current−period earnings. Hedge effectiveness of foreign currency option contracts is based on a dollar offset methodology. The ineffective portion of both foreign currency forward and option contracts is recorded in current−period earnings. For hedge contracts that are no longer deemed highly effective, hedge accounting is discontinued and gains and losses accumulated in other comprehensive income (loss) are reclassified to earnings when the underlying forecasted transaction occurs. If it is probable that the forecasted transaction will no longer occur, then any gains or losses in accumulated other comprehensive income (loss) are reclassified to current−period earnings. As of December 31, 2009, the Company's foreign currency cash−flow hedges were highly effective, in all material respects. The estimated net gain as of December 31, 2009 that is expected to be reclassified from accumulated other comprehensive income (loss) into earnings within the next six months is $4.0 million.

At December 31, 2009, the Company had foreign currency forward contracts in the amount of $1,084.6 million. The foreign currencies included in foreign currency forward contracts (notional value stated in U.S. dollars) are principally the British pound ($258.2 million), Swiss franc ($206.7 million), Euro ($156.1 million), Canadian dollar ($96.1 million), Hong Kong dollar ($83.6 million), Australian dollar ($73.9 million) and Japanese yen ($35.9 million).

Fair Value Hedges

The Company enters into interest rate derivative contracts to manage its exposure to interest rate fluctuations on its funded indebtedness and anticipated issuance of debt for periods consistent with the identified exposures. The Company has interest rate swap agreements, with a notional amount totaling $250.0 million, to effectively convert the fixed rate interest on its 2017 Senior Notes to variable interest rates based on six−month LIBOR. These interest rate swap agreements are designated as fair value hedges of the related long−term debt and the changes in the fair values of the interest rate swap agreements are exactly offset by changes in the fair value of the underlying long−term debt. As of December 31, 2009, these fair−value hedges were highly effective in all material respects.

Credit Risk

As a matter of policy, the Company only enters into derivative contracts with counterparties that have at least an "A" (or equivalent) credit rating. The counterparties to these contracts are major financial institutions. Exposure to credit risk in the event of nonperformance by any of the counterparties is limited to the gross fair value of contracts in asset positions, which totaled $36.5 million at December 31, 2009, of which 86% were attributable to two counterparties. To manage this risk, the Company has established strict counterparty credit guidelines that are continually monitored and reported to management. Accordingly, management believes risk of loss under these hedging contracts is remote.

Certain of the Company's derivative financial instruments contain credit−risk−related contingent features. As of December 31, 2009, the Company was in compliance with such features and there were no derivative financial instruments with credit−risk−related contingent features that were in a net liability position.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 — FAIR VALUE MEASUREMENTS

The Company records its financial assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. Effective beginning in the Company's fiscal 2010, the accounting for fair value measurements must be applied to nonrecurring nonfinancial assets and nonfinancial liabilities, which principally consist of assets or liabilities acquired through business combinations, goodwill, indefinite−lived intangible assets and long−lived assets for purposes of calculating potential impairment, and liabilities associated with restructuring activities. The Company is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

Level 1: Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

The following table presents the Company's hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2009:

(In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Foreign currency forward contracts	$ —	$ 12.7	$ —	$ 12.7
Interest rate swap contracts	—	23.8	—	23.8
Available−for−sale securities	6.0	—	—	6.0
Total	$ 6.0	$ 36.5	$ —	$ 42.5
Liabilities:				
Foreign currency forward contracts	$ —	$ 21.9	$ —	$ 21.9

The following table presents the Company's hierarchy for certain of its nonfinancial assets measured at fair value on a nonrecurring basis, due to a change in circumstances that triggered an interim impairment review and a recoverability test, as of December 31, 2009:

(In millions)	Impairment charges	Carrying Value December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (1)
Goodwill	$ 16.6	$ 28.1	$ —	$ —	$ 28.1
Other intangible assets, net	29.0	41.2	—	—	41.2
Total	$ 45.6	$ 69.3	$ —	$ —	$ 69.3

(1) See Note 2 for discussion of the valuation techniques used to measure fair value, the description of the inputs and information used to develop those inputs.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of the Company's classes of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents − The carrying amount approximates fair value, primarily because of the short maturity of cash equivalent instruments.

Available−for−sale securities − Available−for−sale securities are generally comprised of mutual funds and are valued using quoted market prices on an active exchange. Available−for−sale securities are included in investments in the accompanying consolidated balance sheets.

Foreign currency forward contracts − The fair values of the Company's foreign currency forward contracts were valued using pricing models, with all significant inputs derived from or corroborated by observable market data such as yield curves, currency spot and forward rates and currency volatilities.

Interest rate swap contracts − The fair values of the Company's outstanding interest rate swap contracts were determined based on non−binding offers from the counterparties that are corroborated by observable market data.

Short−term and long−term debt − The fair value of the Company's debt was estimated based on the current rates offered to the Company for debt with the same remaining maturities. To a lesser extent, debt also includes capital lease obligations for which the carrying amount approximates the fair value.

The estimated fair values of the Company's financial instruments at December 31, 2009 are as follows:

(In millions)	Carrying Amount	Fair Value
Nonderivatives		
Cash and cash equivalents	$ 1,223.6	$ 1,223.6
Available−for−sale securities	6.0	6.0
Short−term and long−term debt	1,403.7	1,453.4
Derivatives		
Foreign currency forward contracts — asset (liability)	(9.2)	(9.2)
Interest rate swap contracts — asset (liability)	23.8	23.8

NOTE 6 — PENSION AND POST−RETIREMENT BENEFIT PLANS

The Company maintains pension plans covering substantially all of its full−time employees for its U.S. operations and a majority of its international operations. The Company also maintains a domestic post−retirement benefit plan which provides certain medical and dental benefits to eligible employees. Descriptions of these plans are discussed in the Company's Annual Report on Form 10−K for the year ended June 30, 2009.

The components of net periodic benefit cost for the three months ended December 31, 2009 and 2008 consisted of the following:

	Pension Plans				Other than Pension Plans	
	U.S.		International		Post−retirement	
(In millions)	2009	2008	2009	2008	2009	2008
Service cost	$ 5.6	$ 5.2	$ 4.6	$ 3.9	$ 0.8	$ 0.9
Interest cost	7.3	7.0	4.9	4.3	2.0	1.9
Expected return on plan assets	(8.0)	(8.3)	(5.1)	(4.5)	—	—
Amortization of:						
Prior service cost	0.2	0.2	0.6	0.6	—	—
Actuarial loss	1.0	0.4	0.5	0.2	0.2	0.3
Settlements and curtailments	—	—	0.7	—	—	—
Net periodic benefit cost	$ 6.1	$ 4.5	$ 6.2	$ 4.5	$ 3.0	$ 3.1

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of net periodic benefit cost for the six months ended December 31, 2009 and 2008 consisted of the following:

	Pension Plans				Other than Pension Plans	
	U.S.		International		Post−retirement	
(In millions)	2009	2008	2009	2008	2009	2008
Service cost	$ 11.3	$ 10.5	$ 9.0	$ 8.4	$ 1.6	$ 1.9
Interest cost	14.6	14.0	9.9	9.4	4.0	3.7
Expected return on plan assets	(16.1)	(16.7)	(10.1)	(9.7)	—	—
Amortization of:						
Prior service cost	0.3	0.3	1.2	1.2	—	—
Actuarial loss	2.1	0.9	0.9	0.3	0.3	0.3
Settlements and curtailments	—	—	0.7	—	—	—
Net periodic benefit cost	$ 12.2	$ 9.0	$ 11.6	$ 9.6	$ 5.9	$ 5.9

During the six months ended December 31, 2009, the Company made contributions to its international pension plans totaling approximately $21 million.

NOTE 7 — CONTINGENCIES

Legal Proceedings

The Company is involved, from time to time, in litigation and other legal proceedings incidental to its business. Management believes that the outcome of current litigation and legal proceedings will not have a material adverse effect upon the Company's results of operations or financial condition. However, management's assessment of the Company's current litigation and other legal proceedings could change in light of the discovery of facts with respect to legal actions or other proceedings pending against the Company not presently known to the Company or determinations by judges, juries or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or proceedings.

In 1999, the Office of the Attorney General of the State of New York (the "State") notified the Company and ten other entities that they had been identified as potentially responsible parties ("PRPs") with respect to the Blydenburgh landfill in Islip, New York. Each PRP was alleged to be jointly and severally liable for the costs of investigation and cleanup, which the State estimated in 2006 to be approximately $19.7 million for all PRPs. In 2001, the State sued other PRPs (including Hickey's Carting, Inc., Dennis C. Hickey and Maria Hickey, collectively the "Hickey Parties"), in the U.S. District Court for the Eastern District of New York to recover such costs in connection with the site, and in September 2002, the Hickey Parties brought contribution actions against the Company and other Blydenburgh PRPs. These contribution actions sought to recover, among other things, any damages for which the Hickey Parties are found liable in the State's lawsuit against them, and related costs and expenses, including attorneys' fees. In June 2004, the State added the Company and other PRPs as defendants in its pending case against the Hickey Parties. In April 2006, the Company and other defendants added numerous other parties to the case as third−party defendants. Settlement negotiations with the new third−party defendants, the State, the Company and other defendants that began in July 2006 resulted in a proposed consent decree to resolve the case. The consent decree was approved by the Court and the period for appeal has expired. The funds put in escrow by the PRPs, including the Company, were paid to the State in early January 2010 and the matter has concluded. The Company's share of the funds was not material to the Company's consolidated financial statements.

NOTE 8 — COMMON STOCK

During the six months ended December 31, 2009, 50,000 shares of the Company's Class B Common Stock were converted into Class A Common Stock.

During the six months ended December 31, 2009, the Company purchased approximately 1.6 million shares of its Class A Common Stock for $78.0 million.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 — STOCK PROGRAMS

As of December 31, 2009, the Company has two active equity compensation plans which include the Amended and Restated Fiscal 2002 Share Incentive Plan (the "Fiscal 2002 Plan") and the Non−Employee Director Share Incentive Plan (collectively, the "Plans"). These Plans currently provide for the issuance of 23,756,540 shares of Class A Common Stock, which consist of shares originally provided for and shares transferred to the Fiscal 2002 Plan from other inactive plans and employment agreements, to be granted in the form of stock−based awards to key employees, consultants and non−employee directors of the Company. As of December 31, 2009, approximately 7,038,565 shares of Class A Common Stock were reserved and available to be granted pursuant to these Plans. The Company may satisfy the obligation of its stock−based compensation awards with either new or treasury shares. The Company's equity compensation awards outstanding at December 31, 2009 include stock options, performance share units ("PSU"), restricted stock units ("RSU") and share units.

Total net stock−based compensation expense is attributable to the granting of, and the remaining requisite service periods of, stock options, PSUs, RSUs and share units. Compensation expense attributable to net stock−based compensation during the three months ended December 31, 2009 and 2008 was $11.6 million and $9.5 million, respectively. Compensation expense attributable to net stock−based compensation during the six months ended December 31, 2009 and 2008 was $30.8 million and $32.1 million, respectively. As of December 31, 2009, the total unrecognized compensation cost related to nonvested stock−based awards was $55.3 million and the related weighted−average period over which it is expected to be recognized is approximately 2.0 years.

Stock Options

A summary of the Company's stock option programs as of December 31, 2009 and changes during the six months then ended, is presented below:

(Shares in thousands)	Shares	Weighted−Average Exercise Price Per Share	Aggregate Intrinsic Value(1) (in millions)	Weighted−Average Contractual Life Remaining in Years
Outstanding at June 30, 2009	18,914.7	$ 43.50		
Granted at fair value	2,166.0	34.26		
Exercised	(1,536.4)	36.61		
Expired	(4,580.7)	51.69		
Forfeited	(22.3)	43.86		
Outstanding at December 31, 2009	14,941.3	40.36	$ 129.8	5.4
Exercisable at December 31, 2009	9,635.4	39.36	$ 89.4	3.5

(1) The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option.

The exercise period for all stock options generally may not exceed ten years from the date of grant. Stock option grants to individuals generally become exercisable in three substantively equal tranches over a service period of up to four years. The Company attributes the value of option awards on a straight−line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards.

The per−share weighted−average grant date fair value of stock options granted during the three months ended December 31, 2009 and 2008 was $15.14 and $11.46, respectively. The per−share weighted−average grant date fair value of stock options granted during the six months ended December 31, 2009 and 2008 was $10.63 and $17.47, respectively. The total intrinsic value of stock options exercised during the three months ended December 31, 2009 was $16.4 million and the total intrinsic value of stock options exercised during the three months ended December 31, 2008 was de minimis. The total intrinsic value of stock options exercised during the six months ended December 31, 2009 and 2008 was $16.5 million and $24.7 million, respectively.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fair value of each option grant was estimated on the date of grant using the Black−Scholes option−pricing model with the following assumptions:

	Three Months Ended December 31		Six Months Ended December 31	
	2009	2008	2009	2008
Weighted−average expected stock−price volatility	30%	28%	30%	28%
Weighted−average expected option life	9 years	8 years	8 years	8 years
Average risk−free interest rate	3.3%	3.5%	3.1%	3.4%
Average dividend yield	2.0%	1.2%	2.0%	1.2%

The Company uses a weighted−average expected stock−price volatility assumption that is a combination of both current and historical implied volatilities of the underlying stock which are obtained from public data sources. For the weighted−average expected option life assumption, the Company considers the exercise behavior of past grants and models the pattern of aggregate exercises. The average risk−free interest rate is based on the U.S. Treasury strip rate for the expected term of the options and the average dividend yield is based on historical experience.

Performance Share Units

During the six months ended December 31, 2009, the Company granted 165,300 PSUs, which will be settled in stock subject to the achievement of the Company's net sales, net earnings per share and return on invested capital goals for the three fiscal years ending June 30, 2012. Settlement will be made pursuant to a range of opportunities relative to the net sales and diluted net earnings per common share targets of the Company and, as such, the compensation cost of the PSU is subject to adjustment based upon the attainability of these target goals. No settlement will occur for results below the applicable minimum threshold and additional shares shall be issued if performance exceeds the targeted performance goals. Certain PSUs are accompanied by dividend equivalent rights that will be payable in cash upon settlement of the PSU. Other PSUs granted in fiscal 2010 are not accompanied by dividend equivalent rights and, as such, were valued at the closing market value of the Company's Class A Common Stock on the date of grant less the discounted present value of the dividends expected to be paid on the shares during the vesting period. These awards are subject to the provisions of the agreement under which the PSUs are granted. The PSUs were valued at the closing market value of the Company's Class A Common Stock on the date of grant and generally vest at the end of the performance period. In September 2009, 31,100 shares of the Company's Class A Common Stock were issued and related accrued dividends were paid, relative to the target goals set at the time of issuance, in settlement of 96,100 PSUs which vested as of June 30, 2009.

The following is a summary of the status of the Company's PSUs as of December 31, 2009 and activity during the six months then ended:

(Shares in thousands)	Shares	Weighted−Average Grant Date Fair Value Per Share
Nonvested at June 30, 2009	224.2	$ 48.57
Granted	165.3	33.42
Vested	—	—
Forfeited	—	—
Nonvested at December 31, 2009	389.5	42.14

Restricted Stock Units

The Company granted approximately 974,800 RSUs during the six months ended December 31, 2009 which, at the time of grant, were scheduled to vest as follows: 39,800 on July 1, 2010, 484,300 on November 1, 2010, 39,800 on July 2, 2011, 271,300 on October 31, 2011, 39,800 on July 2, 2012 and 99,800 on October 31, 2012, all subject to the continued employment or retirement of the grantees. Certain RSUs granted in fiscal 2010 are accompanied by dividend equivalent rights that will be payable in cash upon settlement of the RSU and, as such, were valued at the closing market value of the Company's Class A Common Stock on the date of grant. Other RSUs granted in fiscal 2010 are not accompanied by dividend equivalent rights and, as such, were valued at the closing market value of the Company's Class A Common Stock on the date of grant less the discounted present value of the dividends expected to be paid on the shares during the vesting period.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of the status of the Company's RSUs as of December 31, 2009 and activity during the six months then ended:

(Shares in thousands)	Shares	Weighted−Average Grant Date Fair Value Per Share
Nonvested at June 30, 2009	922.5	$ 48.31
Granted	974.8	33.36
Vested	(558.8)	47.48
Forfeited	(17.1)	46.26
Nonvested at December 31, 2009	1,321.4	37.66

Share Units

The Company grants share units to certain non−employee directors under the Non−Employee Director Share Incentive Plan. The share units are convertible into shares of Class A Common Stock as provided for in that plan. Share units are accompanied by dividend equivalent rights that are converted to additional share units when such dividends are declared. The following is a summary of the status of the Company's share units as of December 31, 2009 and activity during the six months then ended:

(Shares in thousands)	Shares	Weighted−Average Grant Date Fair Value Per Share
Outstanding at June 30, 2009	22.6	$ 38.02
Granted	3.5	46.63
Dividend equivalents	0.3	49.54
Converted	—	—
Outstanding at December 31, 2009	26.4	39.27

Cash Units

Certain non−employee directors defer cash compensation in the form of cash payout share units, which are not subject to the Plans. These share units are classified as liabilities and, as such, their fair value is adjusted to reflect the current market value of the Company's Class A Common Stock. The Company recorded $1.1 million as compensation expense and $1.0 million as a reduction of compensation expense to reflect additional deferrals and the change in the market value for the three months ended December 31, 2009 and 2008, respectively. The Company recorded $1.5 million as compensation expense and $0.7 million as a reduction of compensation expense to reflect additional deferrals and the change in the market value for the six months ended December 31, 2009 and 2008, respectively.

NOTE 10 — NET EARNINGS ATTRIBUTABLE TO THE ESTÉE LAUDER COMPANIES INC. PER COMMON SHARE

Net earnings attributable to The Estée Lauder Companies Inc. per common share ("basic EPS") is computed by dividing net earnings attributable to The Estée Lauder Companies Inc. by the weighted−average number of common shares outstanding and contingently issuable shares (which satisfy certain conditions). Net earnings attributable to The Estée Lauder Companies Inc. per common share assuming dilution ("diluted EPS") is computed by reflecting potential dilution from stock−based awards.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation between the numerators and denominators of the basic and diluted EPS computations is as follows:

	Three Months Ended December 31		Six Months Ended December 31	
	2009	2008	2009	2008
	(In millions, except per share data)			
Numerator:				
Net earnings attributable to The Estée Lauder Companies Inc.	$ 256.2	$ 158.0	$ 396.9	$ 209.1
Denominator:				
Weighted average common shares outstanding — Basic	197.3	196.6	197.0	195.9
Effect of dilutive stock options	2.3	0.4	1.5	1.6
Effect of restricted stock units	0.8	0.5	0.8	0.6
Weighted average common shares outstanding — Diluted	200.4	197.5	199.3	198.1
Net earnings attributable to The Estée Lauder Companies Inc. per common share:				
Basic	$ 1.30	$ .80	$ 2.01	$ 1.07
Diluted	1.28	.80	1.99	1.06

As of December 31, 2009 and 2008, outstanding options to purchase 3.0 million and 16.7 million shares, respectively, of Class A Common Stock were not included in the computation of diluted EPS because their inclusion would be anti−dilutive. As of December 31, 2009 and 2008, 0.4 million and 0.3 million of PSUs have been excluded from the calculation of diluted EPS because the number of shares ultimately issued is contingent on the achievement of certain performance targets of the Company, as discussed in Note 9.

NOTE 11 — COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (“OCI”) included in the accompanying consolidated balance sheets consist of net unrealized investment gain (loss), net gain (loss) on derivative instruments designated and qualifying as cash−flow hedging instruments, net actuarial gain (loss) and prior service (costs) credits associated with pension and other post−retirement benefits, and cumulative translation adjustments as of the end of each period.

Comprehensive income (loss) and its components, net of tax, are as follows:

	Three Months Ended December 31		Six Months Ended December 31	
	2009	2008	2009	2008
	(In millions)			
Net earnings	$ 261.7	$ 161.3	$ 399.5	$ 210.9
Other comprehensive income (loss):				
Net unrealized investment gain (loss)	—	(0.5)	0.2	(0.6)
Net derivative instruments gain (loss)	4.2	2.0	2.5	10.7
Amounts included in net periodic benefit cost, net	2.2	8.1	3.7	13.0
Translation adjustments	(0.4)	(125.5)	34.1	(211.5)
	6.0	(115.9)	40.5	(188.4)
Comprehensive income (loss)	267.7	45.4	440.0	22.5
Comprehensive (income) loss attributable to noncontrolling interests:				
Net earnings	(5.5)	(3.3)	(2.6)	(1.8)
Translation adjustments	0.5	0.8	(0.4)	2.8
	(5.0)	(2.5)	(3.0)	1.0
Comprehensive income (loss) attributable to The Estée Lauder Companies Inc.	$ 262.7	$ 42.9	$ 437.0	$ 23.5

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 — CHANGES IN EQUITY

	Total Stockholders' Equity — The Estée Lauder Companies Inc.						Non-controlling Interests	Total Equity
(In millions)	Common Stock	Paid-in Capital	Retained Earnings	AOCI	Treasury Stock	Total		
Balance — June 30, 2009	$ 2.6	$ 1,145.6	$ 3,195.0	$ (117.1)	$ (2,586.1)	$ 1,640.0	$ 24.0	$ 1,664.0
Net earnings	—	—	396.9	—	—	396.9	2.6	399.5
Common stock dividends	—	—	(109.2)	—	—	(109.2)	—	(109.2)
Other comprehensive income	—	—	—	40.1	—	40.1	0.4	40.5
Acquisition of treasury stock	—	—	—	—	(69.1)	(69.1)	—	(69.1)
Stock-based compensation	0.0	90.9	—	—	(8.0)	82.9	—	82.9
Balance — December 31, 2009	$ 2.6	$ 1,236.5	$ 3,482.7	$ (77.0)	$ (2,663.2)	$ 1,981.6	$ 27.0	$ 2,008.6

NOTE 13 — STATEMENT OF CASH FLOWS

Supplemental cash flow information for the six months ended December 31, 2009 and 2008 were as follows:

	2009	2008
	(In millions)	
Cash:		
Cash paid during the period for interest	$ 41.3	$ 35.4
Cash paid during the period for income taxes	$ 102.3	$ 127.1
Non-cash investing and financing activities:		
Long-term debt issued upon acquisition of business	$ 0.3	$ —
Liabilities incurred for acquisitions	$ 6.1	$ 3.1
Incremental tax benefit from the exercise of stock options	$ (4.8)	$ (7.8)
Capital lease obligations incurred	$ 0.9	$ 15.1
Interest rate swap derivative mark to market	$ (0.7)	$ 30.9

NOTE 14 — SEGMENT DATA AND RELATED INFORMATION

Reportable operating segments include components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the "Chief Executive") in deciding how to allocate resources and in assessing performance. Although the Company does business in one operating segment, beauty products, management also evaluates performance on a product category basis. Product category performance is measured based upon net sales before returns associated with restructuring activities, and earnings before income taxes, net interest expense and total charges associated with restructuring activities. Returns and charges associated with restructuring activities are not allocated to the product categories because they result from activities that are deemed a company-wide program to redesign the Company's organizational structure. The accounting policies for the Company's reportable segments are substantially the same as those for the consolidated financial statements, as described in the segment data and related information footnote included in the Company's Annual Report on Form 10-K for the year ended June 30, 2009. The assets and liabilities of the Company are managed centrally and are reported internally in the same manner as the consolidated financial statements; thus, no additional information is produced for the Chief Executive or included herein. There has been no significant variance in the total or long-lived asset value associated with the Company's segment data since June 30, 2009.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended December 31		Six Months Ended December 31	
	2009	2008	2009	2008
	(In millions)			
PRODUCT CATEGORY DATA				
Net Sales:				
Skin Care	$ 905.8	$ 772.4	$ 1,636.1	$ 1,489.2
Makeup	815.7	728.3	1,533.6	1,471.2
Fragrance	403.5	415.0	695.0	742.8
Hair Care	110.0	108.5	207.9	207.3
Other	19.9	16.8	34.2	34.0
	2,254.9	2,041.0	4,106.8	3,944.5
Returns associated with restructuring activities	7.4	—	(11.1)	—
	$ 2,262.3	$ 2,041.0	$ 4,095.7	$ 3,944.5
Operating Income (Loss) before total charges associated with restructuring activities:				
Skin Care	$ 199.9	$ 136.9	$ 314.2	$ 180.4
Makeup	167.7	108.2	275.5	162.6
Fragrance	49.3	13.5	77.5	8.0
Hair Care	(20.1)	14.4	(10.5)	13.4
Other	3.1	(2.4)	5.9	(1.2)
	399.9	270.6	662.6	363.2
Reconciliation:				
Total charges associated with restructuring activities	(0.3)	(0.3)	(42.6)	(0.4)
Interest expense, net	(19.9)	(19.6)	(39.5)	(34.9)
Earnings before income taxes	$ 379.7	$ 250.7	$ 580.5	$ 327.9
GEOGRAPHIC DATA				
Net Sales:				
The Americas	$ 916.9	$ 903.8	$ 1,809.2	$ 1,842.8
Europe, the Middle East & Africa	895.5	762.3	1,497.4	1,403.8
Asia/Pacific	442.5	374.9	800.2	697.9
	2,254.9	2,041.0	4,106.8	3,944.5
Returns associated with restructuring activities	7.4	—	(11.1)	—
	$ 2,262.3	$ 2,041.0	$ 4,095.7	$ 3,944.5
Operating Income (Loss):				
The Americas	$ 52.9	$ 54.4	$ 166.8	$ 110.9
Europe, the Middle East & Africa	230.4	129.6	323.7	137.2
Asia/Pacific	116.6	86.6	172.1	115.1
	399.9	270.6	662.6	363.2
Total charges associated with restructuring activities	(0.3)	(0.3)	(42.6)	(0.4)
	$ 399.6	$ 270.3	$ 620.0	$ 362.8

THE ESTÉE LAUDER COMPANIES INC.

tem 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

RESULTS OF OPERATIONS

We manufacture, market and sell beauty products including those in the skin care, makeup, fragrance and hair care categories which are distributed in over 140 countries and territories. The following is a comparative summary of operating results for the three and six months ended December 31, 2009 and 2008, and reflects the basis of presentation described in Note 1 of Notes to Consolidated Financial Statements — *Summary of Significant Accounting Policies* for all periods presented. Sales of products and services that do not meet our definition of skin care, makeup, fragrance or hair care have been included in the "other" category.

	Three Months Ended December 31		Six Months Ended December 31	
	2009	2008	2009	2008
	(In millions)			
NET SALES				
By Region:				
The Americas	$ 916.9	$ 903.8	$ 1,809.2	$ 1,842.8
Europe, the Middle East & Africa	895.5	762.3	1,497.4	1,403.8
Asia/Pacific	442.5	374.9	800.2	697.9
	2,254.9	2,041.0	4,106.8	3,944.5
Returns associated with restructuring activities	7.4	—	(11.1)	—
	$ 2,262.3	$ 2,041.0	$ 4,095.7	$ 3,944.5
By Product Category:				
Skin Care	$ 905.8	$ 772.4	$ 1,636.1	$ 1,489.2
Makeup	815.7	728.3	1,533.6	1,471.2
Fragrance	403.5	415.0	695.0	742.8
Hair Care	110.0	108.5	207.9	207.3
Other	19.9	16.8	34.2	34.0
	2,254.9	2,041.0	4,106.8	3,944.5
Returns associated with restructuring activities	7.4	—	(11.1)	—
	$ 2,262.3	$ 2,041.0	$ 4,095.7	$ 3,944.5
OPERATING INCOME (LOSS)				
By Region:				
The Americas	$ 52.9	$ 54.4	$ 166.8	$ 110.9
Europe, the Middle East & Africa	230.4	129.6	323.7	137.2
Asia/Pacific	116.6	86.6	172.1	115.1
	399.9	270.6	662.6	363.2
Total charges associated with restructuring activities	(0.3)	(0.3)	(42.6)	(0.4)
	$ 399.6	$ 270.3	$ 620.0	$ 362.8
By Product Category:				
Skin Care	$ 199.9	$ 136.9	$ 314.2	$ 180.4
Makeup	167.7	108.2	275.5	162.6
Fragrance	49.3	13.5	77.5	8.0
Hair Care	(20.1)	14.4	(10.5)	13.4
Other	3.1	(2.4)	5.9	(1.2)
	399.9	270.6	662.6	363.2
Total charges associated with restructuring activities	(0.3)	(0.3)	(42.6)	(0.4)
	$ 399.6	$ 270.3	$ 620.0	$ 362.8

THE ESTÉE LAUDER COMPANIES INC.

The following table presents certain consolidated earnings data as a percentage of net sales:

	Three Months Ended December 31		Six Months Ended December 31	
	2009	2008	2009	2008
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	23.2	24.9	23.7	25.6
Gross profit	76.8	75.1	76.3	74.4
Operating expenses:				
Selling, general and administrative	56.7	61.9	59.4	65.2
Restructuring and other special charges	0.4	0.0	0.7	0.0
Goodwill impairment	0.7	—	0.4	—
Impairment of intangible assets	1.3	—	0.7	—
	59.1	61.9	61.2	65.2
Operating income	17.7	13.2	15.1	9.2
Interest expense, net	0.9	0.9	0.9	0.9
Earnings before income taxes	16.8	12.3	14.2	8.3
Provision for income taxes	5.2	4.4	4.4	3.0
Net earnings	11.6	7.9	9.8	5.3
Net earnings attributable to noncontrolling interests	(0.3)	(0.2)	(0.1)	(0.0)
Net earnings attributable to The Estée Lauder Companies Inc.	11.3%	7.7%	9.7%	5.3%

In order to meet the demands of consumers, we continually introduce new products, support new and established products through advertising, sampling and merchandising and phase out existing products that no longer meet the needs of our consumers. The economics of developing, producing, launching and supporting products influence our sales and operating performance each period. The introduction of new products may have some cannibalizing effect on sales of existing products, which we take into account in our business planning.

We operate on a global basis, with the majority of our net sales generated outside the United States. Accordingly, fluctuations in foreign currency exchange rates can affect our results of operations. Therefore, we present certain net sales information excluding the effect of foreign currency rate fluctuations to provide a framework for assessing the performance of our underlying business outside the United States. Constant currency information compares results between periods as if exchange rates had remained constant period−over−period. We calculate constant currency information by translating current−period results using prior−year period weighted average foreign currency exchange rates.

Overview

During our fiscal 2010 second quarter, our business continued to rebound from the global economic challenges and uncertainties that had a significant impact on our business over the past year. Despite these conditions, some of which continue to exist today, our results for the three and six months ended December 31, 2009 exceeded our net sales and profitability expectations in each of the Company's geographic regions. The higher than expected results, in part, stem from stronger net sales, favorable product mix, which reflects our strategic emphasis on skin care products, and the positive effect of continued cautious spending from most brands in light of the uncertainty surrounding the global economic environment. The improved net sales reflected continued strong growth in Asia, a substantial rebound in the Company's travel retail business and a better−than−expected holiday selling season in the United States and the United Kingdom. Net sales also benefited from further favorability in foreign currency translation.

In the Americas region, the increase in net sales during the current−year quarter was primarily attributable to growth in Latin America. Despite a better−than−anticipated holiday selling season, the U.S. department store channel continues to be negatively impacted by a soft retail environment, low store traffic and competitive pressures, particularly in the fragrance product category. These challenges were mitigated by net sales from new skin care and makeup product offerings. We are also beginning to see an improvement in the sales of many of our higher−end prestige products, which were negatively impacted by a change in spending patterns of consumers as a result of the economic downturn. Net sales results in alternative channels were generally mixed. Net sales of our products online grew moderately. The closing of certain of our underperforming freestanding retail stores resulted in lower net sales in this channel.

Our business in Europe, the Middle East & Africa generated a strong net sales increase during the current−year quarter. Sales and profits in our travel retail business have exceeded our expectations as a result of successful product launches, select trade re−stocking and new points of distribution. Net sales in most markets also reflected increases during the three and six months ended December 31, 2009, reflecting an improving retail environment, new product launches and rebounding sales from many of our higher−end prestige products. Despite these positive results, the impact of the global economic uncertainties are still being felt in certain countries where there remains soft retail environments, retailer destocking and tight working capital management activities by retailers.

At this time, our business in the Asia/Pacific region has been least affected by the global financial crisis, with net sales growing in all countries in the region. Net sales in China rose at a fast pace as we continue our growth in this emerging market. New skin care product launches and an improving retail environment helped Korea and Hong Kong generate strong net sales increases during fiscal 2010. Reported net sales in Korea also benefited significantly from foreign currency translation, as did net sales in Australia. Our business in Japan was negatively impacted by the global financial crisis that continued into fiscal 2010, although the reported net sales in this country have benefited from the strengthening of the Japanese yen. We expect prestige cosmetics overall in Japan to rebound modestly in the short to medium term.

During fiscal 2010, we have continued to aggressively implement Company−wide cost containment efforts and a more measured approach to spending, particularly in advertising, merchandising and sampling, in light of the global economic downturn and the management of several external potential risks, such as a more serious H1N1 pandemic, which did not materialize in the current−year period. We remain cautious regarding global economic uncertainties and other risks that may affect our business. However, we expect to accelerate investment spending above first−half levels behind our brands and key priorities.

Charges Associated with Restructuring Activities

In an effort to drive down costs and achieve synergies within our organization, in February 2009, we announced the implementation of a multi−faceted cost savings program (the “Program”) to position the Company to achieve long−term profitable growth. We anticipate the Program will result in related restructuring and other special charges, inclusive of cumulative charges recorded to date and over the next few fiscal years, totaling between $350 million and $450 million before taxes.

We expect that the implementation of this Program, combined with other on−going cost savings efforts, will result in savings of approximately $450 million to $550 million (beginning with approximately $275 million to $300 million in fiscal 2010) including the reduction of certain costs relative to an assumed normalized spending pattern. Our long−range forecast for operating margin reflects these anticipated savings, net of strategic reinvestments.

The Program focuses on a redesign of our organizational structure in order to integrate the Company in a more cohesive way and operate more globally across brands and functions. The principal aspect of the Program is the reduction of the workforce by approximately 2,000 employees. Specific actions taken during the six months ended December 31, 2009 included:

- Resize and Reorganize the Organization — We continued the realignment and optimization of our organization to better leverage scale, improve productivity and reduce complexity in each region and across various functions. This included reduction of the workforce which occurred through the consolidation of certain functions through a combination of normal attrition and job eliminations.

- Exit Unprofitable Operations — To improve the profitability in certain of our brands and regions, we have selectively exited certain channels of distribution, categories and markets. During the first quarter of fiscal 2010, we approved the exit from the global wholesale distribution of our Prescriptives brand by January 31, 2010. In connection with these activities, we recorded a reserve for anticipated product returns, wrote off inventory and incurred costs to reduce workforce and other exit costs.

- Outsourcing — In order to balance the growing need for information technology support with our efforts to provide the most efficient and cost effective solutions, we continued the outsourcing of certain information technology processes. We incurred costs to transition services to an outsource provider.

The following table presents aggregate restructuring charges related to the Program:

(In millions)	Employee−Related Costs	Asset Write−offs	Contract Terminations	Other Exit Costs	Total
Fiscal 2009	$ 60.9	$ 4.2	$ 3.4	$ 1.8	$ 70.3
Three months ended September 30, 2009	13.4	0.2	0.6	0.5	14.7
Three months ended December 31, 2009	0.6	0.5	0.6	4.2	5.9
Charges recorded through December 31, 2009	$ 74.9	$ 4.9	$ 4.6	$ 6.5	$ 90.9

The total amount of restructuring charges expected to be incurred (including those recorded as set forth in the table above), plus other initiatives approved through January 20, 2010, include approximately $94 million for employee−related costs, approximately $9 million in asset write−offs and approximately $20 million of contract terminations and other exit costs.

The following table presents accrued restructuring and the related activity as of and for the six months ended December 31, 2009 under the Program:

(In millions)	Employee−Related Costs	Asset Write−offs	Contract Terminations	Other Exit Costs	Total
Balance at June 30, 2009	$ 51.6	$ —	$ 2.9	$ 0.2	$ 54.7
Charges	14.0	0.7	1.2	4.7	20.6
Cash payments	(27.5)	—	(1.1)	(2.0)	(30.6)
Non−cash write−offs	—	(0.7)	—	—	(0.7)
Translation adjustments	0.6	—	—	—	0.6
Balance at December 31, 2009	$ 38.7	$ —	$ 3.0	$ 2.9	$ 44.6

Accrued restructuring charges at December 31, 2009 are expected to result in cash expenditures funded from cash provided by operations of approximately $29 million, $14 million and $2 million in fiscal 2010, 2011 and 2012, respectively.

We recorded other special charges in connection with the implementation of the Program for the three and six months ended December 31, 2009 of $3.4 million and $6.9 million, respectively, related to consulting, other professional services, and accelerated depreciation. The total amount of other special charges expected to be incurred to implement these initiatives, including those recorded through December 31, 2009 plus other initiatives approved through January 20, 2010, is approximately $40 million. During the three months ended December 31, 2009, we recorded adjustments to reflect revised estimates of anticipated sales returns and the write−off of inventory related to the exit from the global wholesale distribution of the Prescriptives brand. For the three months ended December 31, 2009, we recorded an adjustment of $7.4 million to reduce anticipated sales returns and a related cost of sales of $1.6 million in addition to a benefit of $3.2 million to reduce the anticipated write−off of inventory associated with exiting unprofitable operations. For the six months ended December 31, 2009, we recorded $11.1 million reflecting anticipated sales returns (less a related cost of sales of $2.3 million) and a write−off of inventory associated with exiting unprofitable operations of $6.3 million. The total amounts expected to be incurred, including those recorded through December 31, 2009 plus other initiatives approved through January 20, 2010, is between $33 million and $36 million related to sales returns and approximately $11 million related to inventory write−offs.

Total charges associated with restructuring activities included in operating income for the three and six months ended December 31, 2009 were $0.3 million and $42.6 million, respectively.

Goodwill and Other Intangible Asset Impairments

During the second quarter of fiscal 2010, the Ojon reporting unit altered and delayed certain components of its future expansion plans, resulting in revisions to its internal forecasts. We concluded that these changes in circumstances in the Ojon reporting unit triggered the need for an interim impairment review of its goodwill and trademark. Additionally, these changes in circumstances were also an indicator that the carrying amount of the customer list may not be recoverable. We performed an interim impairment test for the trademark and a recoverability test for the customer list as of December 31, 2009 on this reporting unit. We concluded that the carrying value of the Ojon trademark and customer list exceeded their estimated fair values, which were determined based on the application of a royalty rate to discounted estimated future cash flows ("relief−from−royalty method") for the trademark and discounted expected future cash flows for the customer list. As a result, we recognized impairment charges of $6.0 million for the trademark and $17.2 million for the customer list, at the exchange rate in effect at that time. After adjusting the carrying value of the trademark and customer list, we completed an interim impairment test for goodwill and recorded a goodwill impairment charge related to the Ojon reporting unit of $16.6 million at the exchange rate in effect at that time. The fair value of the reporting unit was based upon weighting of the income and market approaches, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows, as well as valuation multiples derived from comparable publicly traded companies that are applied to operating performance of the reporting unit. These impairment charges were reflected in the hair care and skin care product categories and in the Americas region. The key assumptions used to determine the estimated fair value of the reporting unit were predicated on the achievement of international distribution expansion plans. If such plans do not materialize, or if there is a decline in the business environment in which this reporting unit operates, a resulting change in the key assumptions could have a negative impact on the estimated fair value of the reporting unit and it is possible we could recognize a further impairment charge. As of December 31, 2009, the carrying value of goodwill related to the Ojon reporting unit was $28.1 million.

During the second quarter of fiscal 2010, the Darphin reporting unit identified issues related to the planned streamlining of its distribution process, resulting in revisions to its internal forecasts. We concluded that these changes in circumstances in the Darphin reporting unit triggered the need for an interim impairment test of its trademark and goodwill. We determined that the trademark was impaired, with fair value estimated based upon the relief−from−royalty method, and therefore recorded an impairment charge of $5.8 million in the skin care product category and in the Europe, the Middle East & Africa region. After adjusting the carrying value of the trademark, we completed step one of the impairment test for goodwill and concluded that the fair value of the Darphin reporting unit was substantially in excess of its carrying value including goodwill. The fair value of the reporting unit was based upon the income approach, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows. As of December 31, 2009, the carrying value of goodwill related to the Darphin reporting unit was $10.3 million.

As of our latest annual step−one goodwill impairment test on April 1, 2009 for our other reporting units, the closest margin for fair value exceeding carrying value was 8% for one reporting unit. The fair value of the reporting unit was based upon the income approach, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows. Goodwill at December 31, 2009 for this reporting unit was $37.1 million. The key assumptions that were used to determine the estimated fair value of the reporting unit were predicated on planned expanded distribution in the salon channel and other alternative channels. If such plans do not materialize, or if there is a decline in the business environment in which this reporting unit operates, a resulting change in the key assumptions could have a negative impact on the estimated fair value of the reporting unit and it is possible we could recognize an impairment charge in the future. All other reporting units' fair values substantially exceeded their respective carrying values.

Although our financial performance reflected improved economic conditions, we expect the global economic uncertainties to continue to negatively impact our business. As the duration and magnitude of the volatility of the current economic conditions remain uncertain, we will continue to monitor and evaluate the potential impact on our business and on our interim and annual impairment testing. Accordingly, it is possible that we would recognize an impairment charge in the future with respect to goodwill, intangible assets and other long−lived assets.

Impact of Highly Inflationary Economy in Venezuela
Cumulative inflation in Venezuela has exceeded 100% over the three−year period ended December 31, 2009, as measured using the blended Consumer Price Index/National Consumer Price Index. As a result, Venezuela has been designated as a highly inflationary economy effective January 1, 2010 and, as such, all future foreign currency fluctuations will be recorded in income. On January 8, 2010, the Venezuelan government announced the devaluation of its currency to an official exchange rate of 4.30 bolivars per U.S. dollar from 2.15 bolivars per U.S. dollar for most imports. A second, subsidized rate of 2.60 bolivars per U.S. dollar will be maintained for goods deemed "essential." Our products are expected to fall into the non−essential classification.

We are currently evaluating the impact of the one−time charge to our fiscal 2010 third quarter results related to the recent devaluation of the bolivar and the remeasurement of the financial statements of our subsidiary in Venezuela as if it were U.S. dollar functional. As of December 31, 2009, our subsidiary in Venezuela had approximately $9 million of net monetary assets denominated in bolivars and $4 million of net monetary liabilities denominated in U.S. dollars. We do not expect the devaluation of the bolivar to have a significant impact on our ongoing future consolidated net sales or operating income, excluding the impact of the one−time charge discussed above, since we derive less than 1% of our consolidated net sales and less than 2% of our consolidated operating income from our business in Venezuela.

Second Quarter Fiscal 2010 as Compared with Second Quarter Fiscal 2009

NET SALES

Net sales increased 11%, or $221.3 million, to $2,262.3 million, primarily reflecting increases in Europe, the Middle East & Africa and Asia/Pacific. Net sales increases in the skin care, makeup and hair care product categories were partially offset by declines in the fragrance category. Excluding the impact of foreign currency translation, net sales increased 6%. The following discussions of Net Sales by *Product Categories* and *Geographic Regions* exclude the impact of an adjustment to reduce the reserve for anticipated returns associated with restructuring activities of $7.4 million recorded during the current−year period. We believe the following analysis of net sales better reflects the manner in which we conduct and view our business.

Product Categories

Skin Care
Net sales of skin care products increased 17%, or $133.4 million, to $905.8 million. The recent launches of Advanced Night Repair Synchronized Recovery Complex from Estée Lauder, and the new Youth Surge lines of moisturizing products and Even Better Skin Tone Correcting Moisturizer SPF 20 from Clinique, contributed incremental sales of approximately $79 million, combined. Higher sales from existing products in Clinique's 3−Step Skin Care System, the Re−Nutriv and Resilience Lift Extreme lines of products from Estée Lauder, and various products from La Mer contributed approximately $37 million to the increase. These increases were partially offset by approximately $18 million of lower sales from existing Advanced Night Repair products from Estée Lauder and the Superdefense line of products from Clinique. Excluding the impact of foreign currency translation, skin care net sales increased 12%.

Makeup
Makeup net sales increased 12%, or $87.4 million, to $815.7 million, primarily reflecting higher net sales from our makeup artist brands of approximately $48 million. The recent launches of Even Better Makeup SPF 15 and Superbalanced Powder Makeup SPF 15 from Clinique, and Resilience Lift Extreme Radiant Lifting Makeup from Estée Lauder contributed approximately $18 million of incremental sales to the category. The increase also reflected higher sales of foundation products in the Double Wear and Nutritious Vita−Mineral lines from Estée Lauder of approximately $10 million combined. Excluding the impact of foreign currency translation, makeup net sales increased 8%.

Fragrance
Net sales of fragrance products decreased 3%, or $11.5 million, to $403.5 million. This decline was largely due to lower sales of designer fragrances, of which approximately $23 million was attributable to DKNY Delicious Night, Hilfiger Men, Sean John Unforgivable Woman and Sean John Unforgivable. Also contributing to the decrease were lower sales of Estée Lauder Beautiful and Estée Lauder Sensuous of approximately $5 million, combined. These declines were partially offset by incremental sales from the recent launch of DKNY Be Delicious Fresh Blossom and higher sales of Clinique Aromatics Elixir of approximately $20 million, combined. Excluding the impact of foreign currency translation, fragrance net sales decreased 6%.

Hair Care
Hair care net sales increased 1%, or $1.5 million, to $110.0 million, primarily reflecting overall growth outside of the United States, as well as an increase in net sales of styling and hair color products, the recent launch of Smooth Infusion Glossing Straightener from Aveda and sales generated from direct−response television programs. This increase was partially offset by lower net sales in the United States, primarily reflecting a soft salon retail environment.

Geographic Regions
Net sales in the Americas increased 1%, or $13.1 million, to $916.9 million, primarily reflecting higher net sales in Latin America and Canada of approximately $14 million, combined. The net sales increase in Latin America primarily reflected sales from new points of distribution and product launches while the net sales increase in Canada was solely the result of favorable foreign currency translation. Net sales in the United States were flat as compared with the prior−year period. Despite restocking to appropriate levels by certain retailers, economic conditions in the Americas region, particularly in the department store channel, have negatively impacted our businesses. Ongoing challenges faced by certain of our department store customers in the United States may continue to affect our net sales for the short and medium term. Excluding the impact of foreign currency translation, net sales in the Americas were flat as compared with the prior−year period.

In Europe, the Middle East & Africa, net sales increased 18%, or $133.2 million, to $895.5 million, reflecting growth from virtually all countries in the region and the favorable impact of foreign currency translation. Net sales increases of approximately $99 million were driven by our travel retail business, the United Kingdom, Spain, Russia, Germany and Benelux, reflecting an improved retail environment and higher combined sales from our makeup artist brands. Net sales in our travel retail business also improved due to an increase in passenger traffic, new points of distribution and select customer restocking. Despite the net sales growth in the region, we have experienced continued customer destocking in continental Europe. Excluding the impact of foreign currency translation, net sales in Europe, the Middle East & Africa increased 11%.

Net sales in Asia/Pacific increased 18%, or $67.6 million, to $442.5 million, reflecting growth from all countries in the region. Approximately $55 million of this increase was generated in Korea, China, Australia and Hong Kong, reflecting strong sales of skin care products. Korea and Australia also benefited significantly from foreign currency translation. Excluding the impact of foreign currency translation, Asia/Pacific net sales increased 9%.

Although our financial performance reflected improved economic conditions, we expect the global economic uncertainties to continue to adversely impact our business. We cannot predict with certainty the magnitude or duration of the impact or how it will vary across each of our geographic regions.

We strategically stagger our new product launches by geographic market, which may account for differences in regional sales growth.

COST OF SALES

Cost of sales as a percentage of total net sales decreased to 23.2% as compared with 24.9% in the prior−year period. This improvement primarily reflected lower obsolescence charges of approximately 100 basis points and favorable changes in the mix of our business of approximately 60 basis points. Also contributing to the improvement in cost of sales margin were favorable manufacturing variances of approximately 30 basis points and an adjustment related to anticipated returns associated with restructuring activities of approximately 10 basis points. Partially offsetting these improvements was an increase in the level and timing of promotional activities of approximately 20 basis points and the unfavorable effect of exchange rates of approximately 10 basis points.

Since certain promotional activities are a component of sales or cost of sales and the timing and level of promotions vary with our promotional calendar, we have experienced, and expect to continue to experience, fluctuations in the cost of sales percentage. In addition, future cost of sales mix may be impacted by the inclusion of potential new brands or channels of distribution which have margin and product cost structures different from those of our current mix of business.

OPERATING EXPENSES

Operating expenses decreased to 59.1% of net sales as compared with 61.9% of net sales in the prior−year period. In light of the uncertainty surrounding the global economic environment and certain other external risks, we aggressively applied various Company−wide cost containment efforts and a more measured approach to spending. The implementation of these initiatives helped reduce advertising, merchandising and sampling costs by approximately 310 basis points and selling, general and administrative costs by approximately 190 basis points. Also contributing to the improvement in operating expense margin were lower net losses from foreign exchange transactions of approximately 20 basis points. Partially offsetting these improvements were goodwill and other intangible asset impairment charges of approximately 200 basis points, higher costs of global information technology systems and infrastructure of approximately 50 basis points and charges associated with restructuring activities of approximately 40 basis points.

Changes in advertising, sampling and merchandising spending result from the type, timing and level of activities related to product launches and rollouts, as well as the markets being emphasized.

OPERATING RESULTS

Operating income increased 48%, or $129.3 million, to $399.6 million. Operating margin improved to 17.7% of net sales as compared with 13.2% in the prior−year period, reflecting our higher gross margin and the decrease in our operating expense margin as previously discussed. The following discussions of Operating Results by *Product Categories* and *Geographic Regions* exclude the impact of total charges associated with restructuring activities of $0.3 million, or less than one percent of net sales in each period. We believe the following analysis of operating results better reflects the manner in which we conduct and view our business.

Product Categories
All product categories benefited from Company−wide cost containment initiatives and a more measured approach to spending, as well as significant improvement in cost of sales from favorable product mix and enhanced inventory management, resulting in significant improvements in their operating income. Fragrance operating results increased over 100%, or $35.8 million, to $49.3 million, primarily reflecting a favorable comparison to the prior−year period's support spending behind Estée Lauder Sensuous and DKNY Delicious Night. Makeup operating income increased 55%, or $59.5 million, to $167.7 million, primarily reflecting improved results from certain of our heritage brands and from our makeup artist brands. Skin care operating income increased 46%, or $63.0 million, to $199.9 million, primarily reflecting improved results from certain of our heritage brands driven by increased net sales from higher−margin product launches, partially offset by goodwill and other intangible asset impairments of approximately $10 million. Hair care operating results decreased over 100% or $34.5 million, to a loss of $20.1 million, primarily reflecting goodwill and other intangible asset impairments of approximately $36 million, partially offset by net sales growth outside the United States, the closing of certain underperforming retail stores and savings generated from cost containment initiatives.

Geographic Regions
Operating results in each of our geographic regions benefited from Company−wide cost containment initiatives and a more measured approach to spending, as well as significant improvement in cost of sales from favorable product mix and enhanced inventory management, resulting in significant improvements in their operating income.

Operating income in the Americas decreased 3%, or $1.5 million, to $52.9 million, primarily due to goodwill and other intangible asset impairments of approximately $40 million. This decrease was partially offset by improved results from our heritage brands and our makeup artist brands in the United States.

In Europe, the Middle East & Africa, operating income increased 78%, or $100.8 million, to $230.4 million, reflecting improvements in travel retail and virtually all countries in the region. Higher results from our travel retail business and in the United Kingdom, Spain, Russia and the Balkans totaled approximately $80 million. Partially offsetting these improvements was a charge for other intangible asset impairment of approximately $6 million.

In Asia/Pacific, operating income increased 35%, or $30.0 million, to $116.6 million. All countries in the region reported higher operating results, led by approximately $25 million in China, Hong Kong, Japan, Taiwan and Australia, combined.

INTEREST EXPENSE, NET

Net interest expense was $19.9 million as compared with $19.6 million in the prior−year period. Interest income decreased due to lower average investment rates, partially offset by higher average investment balances. To a lesser extent, interest expense decreased due to lower average debt balances, partially offset by a shift from short−term instruments to long−term notes, which carry higher interest rates.

PROVISION FOR INCOME TAXES

The provision for income taxes represents Federal, foreign, state and local income taxes. The effective rate differs from statutory rates due to the effect of state and local income taxes, tax rates in foreign jurisdictions and certain nondeductible expenses. Our effective tax rate will change from quarter to quarter based on recurring and non−recurring factors including, but not limited to, the geographical mix of earnings, enacted tax legislation, state and local income taxes, tax audit settlements, the ultimate disposition of deferred tax assets relating to stock−based compensation and the interaction of various global tax strategies. In addition, changes in judgment from the evaluation of new information resulting in the recognition, derecognition or remeasurement of a tax position taken in a prior annual period are recognized separately in the quarter of the change.

The effective rate for income taxes for the three months ended December 31, 2009 was 31.1% as compared with 35.7% in the prior−year period. The decrease in the effective income tax rate of 460 basis points was primarily attributable to a lower effective tax rate relating to our foreign operations.

NET EARNINGS ATTRIBUTABLE TO THE ESTÉE LAUDER COMPANIES INC.

Net earnings attributable to The Estée Lauder Companies Inc. as compared with the prior−year period increased 62%, or $98.2 million, to $256.2 million and diluted net earnings per common share increased 60% from $.80 to $1.28. The impact of total charges associated with restructuring activities on diluted net earnings per common share in each period was de minimis.

Six Months Fiscal 2010 as Compared with Six Months Fiscal 2009

NET SALES

Net sales increased 4%, or $151 million, to $4,095.7 million, reflecting increases in Asia/Pacific and Europe, the Middle East & Africa, partially offset by declines in the Americas. Net sales increases in the skin care and makeup product categories were partially offset by declines in the fragrance category. Hair care net sales were relatively flat as compared with the prior−year period. Excluding the impact of foreign currency translation, net sales increased 3%. The following discussions of Net Sales by *Product Categories* and *Geographic Regions* exclude the impact of anticipated returns associated with restructuring activities of $11.1 million recorded during the current−year period. We believe the following analysis of net sales better reflects the manner in which we conduct and view our business.

Product Categories

Skin Care
Net sales of skin care products increased 10%, or $146.9 million, to $1,636.1 million. The recent launches of Advanced Night Repair Synchronized Recovery Complex and the new Time Zone line of moisturizing products from Estée Lauder, and the new Youth Surge lines of moisturizing products and Even Better Skin Tone Correcting Moisturizer SPF 20 from Clinique, contributed incremental sales of approximately $150 million, combined. Higher sales from existing products in Clinique's 3−Step Skin Care System and the Re−Nutriv line of products from Estée Lauder contributed approximately $14 million to the increase. These increases were partially offset by approximately $38 million of lower sales from existing Advanced Night Repair and Perfectionist products from Estée Lauder. Excluding the impact of foreign currency translation, skin care net sales increased 9%.

Makeup
Makeup net sales increased 4%, or $62.4 million, to $1,533.6 million, primarily reflecting higher net sales from our makeup artist brands of approximately $49 million. The recent launches of Even Better Makeup SPF 15 and Superbalanced Powder Makeup SPF 15 from Clinique contributed approximately $28 million of incremental sales to the category. Partially offsetting these increases were lower sales of High Impact Lip Colour SPF 15 from Clinique, and Sumptuous Bold Volume Lifting Mascara and Pure Color Lipstick from Estée Lauder of approximately $24 million, combined. Excluding the impact of foreign currency translation, makeup net sales increased 3%.

Fragrance
Net sales of fragrance products decreased 6%, or $47.8 million, to $695.0 million. This decline was largely due to lower sales of designer fragrances, of which approximately $48 million was attributable to DKNY Delicious Night, Sean John Unforgivable Woman, Hilfiger Men, Sean John Unforgivable and Coach. Also contributing to the decrease were lower sales of Estée Lauder Sensuous, Estée Lauder *pleasures delight* and Clinique Happy of approximately $15 million, combined. These declines were partially offset by incremental sales from the recent launches of DKNY Be Delicious Fresh Blossom and Very Hollywood Michael Kors of approximately $30 million, combined. Excluding the impact of foreign currency translation, fragrance net sales were flat as compared with the prior−year period.

Hair Care
Hair care net sales increased slightly, or $0.6 million, to $207.9 million, primarily reflecting growth in the Asia/Pacific region and, to a lesser extent, growth in the Europe, the Middle East & Africa region. An increase in net sales of styling and hair color products, the recent launch of Smooth Infusion Glossing Straightener from Aveda and sales generated from direct−response television programs contributed positively to the category. These increases were partially offset by lower net sales in the United States, primarily reflecting a soft salon retail environment and the closing of certain underperforming freestanding retail stores. Excluding the impact of foreign currency translation, hair care net sales were flat as compared with the prior−year period.

Geographic Regions
Net sales in the Americas decreased 2%, or $33.6 million, to $1,809.2 million. Approximately $38 million of the decrease was attributable to lower net sales in the United States from certain of our heritage brands, as well as our hair care brands. These declines were partially offset by net sales increases of approximately $15 million in Latin America and Canada. Despite restocking to appropriate levels by certain retailers, economic conditions in the Americas region, particularly in the department store channel, have negatively impacted our businesses. Ongoing challenges faced by certain of our department store customers in the United States may continue to affect our net sales for the short and medium term. Excluding the impact of foreign currency translation, net sales in the Americas decreased 2%.

In Europe, the Middle East & Africa, net sales increased 7%, or $93.6 million, to $1,497.4 million, reflecting growth from most countries in the region. Net sales increases of approximately $74 million were driven by our travel retail business, the United Kingdom, South Africa, Russia and Germany, reflecting an improved retail environment and higher combined sales from our makeup artist brands. Net sales in our travel retail business also improved due to a significant improvement in passenger traffic, new points of distribution and select customer restocking. Partially offsetting these increases were lower net sales of approximately $5 million in our distributor business, and in Italy and the Middle East. We continue to experience customer destocking in continental Europe. Excluding the impact of foreign currency translation, net sales in Europe, the Middle East & Africa increased 6%.

Net sales in Asia/Pacific increased 15%, or $102.3 million, to $800.2 million, reflecting growth from all countries in the region. Approximately $95 million of this increase was generated in China, Korea, Australia, Hong Kong, Taiwan and Japan, reflecting strong sales of skin care products. Japan and Australia also benefited significantly from foreign currency translation. Excluding the impact of foreign currency translation, Asia/Pacific net sales increased 11%.

Although our financial performance reflected improved economic conditions, we expect the global economic uncertainties to continue to adversely impact our business. We cannot predict with certainty the magnitude or duration of the impact or how it will vary across each of our geographic regions.

We strategically stagger our new product launches by geographic market, which may account for differences in regional sales growth.

COST OF SALES

Cost of sales as a percentage of total net sales decreased to 23.7% as compared with 25.6% in the prior−year period. This improvement primarily reflected favorable changes in the mix of our business and lower obsolescence charges of approximately 80 basis points, each. Also contributing to the improvement in cost of sales margin were favorable manufacturing variances of approximately 30 basis points, as well as an increase in the level and timing of promotional activities and the favorable effect of exchange rates of approximately 10 basis points, each. Partially offsetting these improvements was the impact of charges associated with restructuring activities of approximately 20 basis points.

Since certain promotional activities are a component of sales or cost of sales and the timing and level of promotions vary with our promotional calendar, we have experienced, and expect to continue to experience, fluctuations in the cost of sales percentage. In addition, future cost of sales mix may be impacted by the inclusion of potential new brands or channels of distribution which have margin and product cost structures different from those of our current mix of business.

OPERATING EXPENSES

Operating expenses decreased to 61.2% of net sales as compared with 65.2% of net sales in the prior−year period. In light of the uncertainty surrounding the global economic environment and the potential impact of certain external risks, we aggressively applied various Company−wide cost containment efforts and a more measured approach to spending. The implementation of these initiatives helped reduce selling, general and administrative costs by approximately 280 basis points and advertising, merchandising and sampling costs by approximately 280 basis points. Also contributing to the improvement in operating expense margin were lower net losses from foreign exchange transactions of approximately 60 basis points. Partially offsetting these improvements were goodwill and other intangible asset impairment charges of approximately 110 basis points, charges associated with restructuring activities, of approximately 70 basis points and higher costs of global information technology systems and infrastructure of approximately 60 basis points.

Changes in advertising, sampling and merchandising spending result from the type, timing and level of activities related to product launches and rollouts, as well as the markets being emphasized.

OPERATING RESULTS

Operating income increased 71%, or $257.2 million, to $620.0 million. Operating margin improved to 15.1% of net sales as compared with 9.2% in the prior−year period, reflecting our higher gross margin and the decrease in our operating expense margin as previously discussed. The following discussions of Operating Results by *Product Categories* and *Geographic Regions* exclude the impact of total charges associated with restructuring activities of $42.6 million, or 1% of net sales in fiscal 2010 and $0.4 million, or less than one percent of net sales in fiscal 2009. We believe the following analysis of operating results better reflects the manner in which we conduct and view our business.

Product Categories
All product categories benefited from Company−wide cost containment initiatives and a more measured approach to spending, as well as significant improvement in cost of sales from favorable product mix and enhanced inventory management, resulting in significant improvements in their operating income. Fragrance operating results increased over 100%, or $69.5 million, to $77.5 million, primarily reflecting a favorable comparison to the prior−year period's support spending behind Estée Lauder Sensuous and DKNY Delicious Night. Hair care operating results decreased over 100% or $23.9 million, to a loss of $10.5 million, primarily reflecting goodwill and intangible asset impairments of approximately $36 million, partially offset by net sales growth outside the United States, the closing of certain underperforming retail stores and savings generated from cost containment initiatives. Skin care operating income increased 74%, or $133.8 million, to $314.2 million, primarily reflecting improved results from certain of our heritage brands driven by increased net sales from higher−margin product launches, partially offset by goodwill and other intangible asset impairments of approximately $10 million. Makeup operating income increased 69%, or $112.9 million, to $275.5 million, primarily reflecting improved results from certain of our heritage brands and from our makeup artist brands.

Geographic Regions
All product categories benefited from Company−wide cost containment initiatives and a more measured approach to spending, as well as significant improvement in cost of sales from favorable product mix and enhanced inventory management, resulting in significant improvements in their operating income.

Operating income in the Americas increased 50%, or $55.9 million, to $166.8 million, driven by Company−wide cost containment efforts and a more measured approach to spending, particularly from our heritage brands and our makeup artist brands. This increase was partially offset by goodwill and other intangible asset impairments of approximately $40 million.

In Europe, the Middle East & Africa, operating income increased over 100%, or $186.5 million, to $323.7 million, reflecting improvements in travel retail and substantially all countries in the region. Higher results from our travel retail business and in the United Kingdom, Russia, Spain, France and Germany totaled approximately $151 million. Partially offsetting these improvements was an other intangible asset impairment of approximately $6 million.

In Asia/Pacific, operating income increased 50%, or $57.0 million, to $172.1 million. All countries in the region reported higher operating results, led by approximately $46 million in China, Australia, Japan, Hong Kong and Taiwan, combined.

INTEREST EXPENSE, NET

Net interest expense was $39.5 million as compared with $34.9 million in the prior−year period. Interest expense increased primarily due to a shift in debt balances from short−term instruments to long−term notes, which carry higher interest rates. Interest income decreased due to lower investment rates, partially offset by higher average investment balances.

PROVISION FOR INCOME TAXES

The provision for income taxes represents Federal, foreign, state and local income taxes. The effective rate differs from statutory rates due to the effect of state and local income taxes, tax rates in foreign jurisdictions and certain nondeductible expenses. Our effective tax rate will change from quarter to quarter based on recurring and non−recurring factors including, but not limited to, the geographical mix of earnings, enacted tax legislation, state and local income taxes, tax audit settlements, the ultimate disposition of deferred tax assets relating to stock−based compensation and the interaction of various global tax strategies. In addition, changes in judgment from the evaluation of new information resulting in the recognition, derecognition or remeasurement of a tax position taken in a prior annual period are recognized separately in the quarter of the change.

The effective rate for income taxes for the six months ended December 31, 2009 was 31.2% as compared with 35.7% in the prior−year period. The decrease in the effective income tax rate of 450 basis points was primarily attributable to a lower effective tax rate relating to our foreign operations.

NET EARNINGS ATTRIBUTABLE TO THE ESTÉE LAUDER COMPANIES INC.

Net earnings attributable to The Estée Lauder Companies Inc. as compared with the prior−year period increased 90%, or $187.8 million, to $396.9 million and diluted net earnings per common share increased 89% from $1.06 to $1.99. The results in the current−year period include the impact of total charges associated with restructuring activities of $27.7 million, after tax, or $.14 per diluted common share. The impact of these charges was de minimis in the prior−year period.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of funds historically have been cash flows from operations, borrowings pursuant to our commercial paper program, borrowings from the issuance of long−term debt and committed and uncommitted credit lines provided by banks and other lenders in the United States and abroad. At December 31, 2009, we had cash and cash equivalents of $1,223.6 million compared with $864.5 million at June 30, 2009. Our cash and cash equivalents are maintained at a number of financial institutions. As of December 31, 2009, less than 10% of the total balance is insured by governmental agencies. To mitigate the risk of uninsured balances, we select financial institutions based on their credit ratings and financial strength and perform ongoing evaluations of these institutions to limit our concentration risk exposure.

Our business is seasonal in nature and, accordingly, our working capital needs vary. From time to time, we may enter into investing and financing transactions that require additional funding. To the extent that these needs exceed cash from operations, we could, subject to market conditions, issue commercial paper, issue long−term debt securities or borrow under our revolving credit facilities. We do not anticipate protracted difficulties in securing these forms of working capital financing.

Based on past performance and current expectations, we believe that cash on hand, cash generated from operations, available credit lines and access to credit markets will be adequate to support currently planned business operations, information systems enhancements, capital expenditures, potential stock repurchases, commitments and other contractual obligations on both a near−term and long−term basis.

The effects of inflation have not been significant to our overall operating results in recent years. Generally, we have been able to introduce new products at higher selling prices or increase selling prices sufficiently to offset cost increases, which have been moderate.

Debt

At December 31, 2009, our outstanding borrowings were as follows:

	Long−term Debt	Short−term Debt	Total Debt
		(In millions)	
6.00% Senior Notes, due May 15, 2037 ("2037 Senior Notes") (1) (7)	$ 296.3	$ —	$ 296.3
5.75% Senior Notes, due October 15, 2033 ("2033 Senior Notes") (2)	197.6	—	197.6
5.55% Senior Notes, due May 15, 2017 ("2017 Senior Notes") (3) (7)	323.4	—	323.4
7.75% Senior Notes, due November 1, 2013 ("2013 Senior Notes") (4) (7)	299.8	—	299.8
6.00% Senior Notes, due January 15, 2012 ("2012 Senior Notes") (5)	245.4	—	245.4
$13.5 million promissory note due August 31, 2012 (6)	7.9	7.0	14.9
Turkish lira overdraft facility	—	7.1	7.1
Other borrowings	5.5	13.7	19.2
	$ 1,375.9	$ 27.8	$ 1,403.7

(1) Consists of $300.0 million principal and unamortized debt discount of $3.7 million.

(2) Consists of $200.0 million principal and unamortized debt discount of $2.4 million.

(3) Consists of $300.0 million principal, unamortized debt discount of $0.4 million and a $23.8 million adjustment to reflect the fair value of outstanding interest rate swaps.

(4) Consists of $300.0 million principal and unamortized debt discount of $0.2 million.

(5) Consists of $250.0 million principal, unamortized debt discount of $0.2 million and a $4.4 million adjustment to reflect the remaining termination value of an interest rate swap that is being amortized to interest expense over the life of the debt.

(6) Consists of $13.5 million face value and unamortized premium of $1.4 million. In January 2010, we repaid $6.8 million of this note at face value (plus $0.2 million of accrued interest) at the request of the holder.

(7) As of December 31, 2009, we were in compliance with all related restrictive covenants, including limitations on indebtedness and liens, and expect continued compliance.

We have a $750.0 million commercial paper program under which we may issue commercial paper in the United States. Our commercial paper is currently rated A−1 by Standard & Poor's and P−1 by Moody's. Our long−term credit ratings are A with a negative outlook by Standard & Poor's and A2 with a negative outlook by Moody's. At December 31, 2009, there was no commercial paper outstanding. We also have $198.9 million in additional uncommitted credit facilities, of which $11.9 million was used as of December 31, 2009.

We have an undrawn $750.0 million senior unsecured revolving credit facility that expires on April 26, 2012. This facility may be used primarily to provide credit support for our commercial paper program, to repurchase shares of our common stock and for general corporate purposes. Up to the equivalent of $250 million of the credit facility is available for multi−currency loans. The interest rate on borrowings under the credit facility is based on LIBOR or on the higher of prime, which is the rate of interest publicly announced by the administrative agent, or ½% plus the Federal funds rate. We incurred costs of approximately $0.3 million to establish the facility which will be amortized over the term of the facility. The credit facility has an annual fee of $0.4 million, payable quarterly, based on our current credit ratings. This facility also contains a cross−default provision whereby a failure to pay other material financial obligations in excess of $50.0 million (after grace periods and absent a waiver from the lenders) would result in an event of default and the acceleration of the maturity of any outstanding debt under this facility. As of December 31, 2009, we were in compliance with all related financial and other restrictive covenants, including limitations on indebtedness and liens, and expect continued compliance. The financial covenant of this facility requires an interest expense coverage ratio of greater than 3:1 as of the last day of each fiscal quarter. The interest expense coverage ratio is defined in the credit agreement as the ratio of Consolidated EBITDA (which does not represent a measure of our operating results as defined under U.S. generally accepted accounting principles) to Consolidated Interest Expense and is calculated as stipulated in the agreement as follows:

	Twelve Months Ended December 31, 2009 (1) ($ in millions)
Consolidated EBITDA:	
Net earnings	$ 406.2
Add:	
Provision for income taxes	179.9
Interest expense, net	80.3
Depreciation and amortization (2)	253.2
Extraordinary non−cash charges (3) (4)	82.3
Less:	
Extraordinary non−cash gains (4)	—
	$ 1,001.9
Consolidated Interest Expense:	
Interest expense, net	$ 80.3
Interest expense coverage ratio	12 to 1

(1) In accordance with the credit agreement, this period represents the four most recent quarters.
(2) Excludes amortization of debt discount, and derivative and debt issuance costs as they are already included in Interest expense, net.
(3) Includes goodwill, intangible asset and other long−lived asset impairments and non−cash charges associated with restructuring activities.
(4) As provided for in the credit agreement.

We have a fixed rate promissory note agreement with a financial institution pursuant to which we may borrow up to $150.0 million in the form of loan participation notes through one of our subsidiaries in Europe. The interest rate on borrowings under this agreement is at an all−in fixed rate determined by the lender and agreed to by us at the date of each borrowing. At December 31, 2009, no borrowings were outstanding under this agreement. Debt issuance costs incurred related to this agreement were de minimis.

We have an overdraft borrowing agreement with a financial institution pursuant to which our subsidiary in Turkey may be credited to satisfy outstanding negative daily balances arising from its business operations. The total balance outstanding at any time shall not exceed 40.0 million Turkish lira ($26.4 million at the exchange rate at December 31, 2009). The interest rate applicable to each such credit shall be up to a maximum of 175 basis points per annum above the spot rate charged by the lender or the lender's floating call rate agreed to by us at each borrowing. There were no debt issuance costs incurred related to this agreement. The outstanding balance at December 31, 2009 ($7.1 million at the exchange rate at December 31, 2009) is classified as short−term debt in our consolidated balance sheet.

We have a 1.5 billion Japanese yen ($16.5 million at the exchange rate at December 31, 2009) revolving credit facility that expires on March 31, 2010 and a 1.5 billion Japanese yen ($16.5 million at the exchange rate at December 31, 2009) revolving credit facility that expires on March 31, 2012. The interest rates on borrowings under these credit facilities are based on TIBOR (Tokyo Interbank Offered Rate) plus .45% and .75%, respectively and the facility fees incurred on undrawn balances are 15 basis points and 25 basis points, respectively. At December 31, 2009, no borrowings were outstanding under these facilities. We intend to renew the revolving credit facility that expires on March 31, 2010 at similar terms, subject to existing market conditions at that time.

Total debt as a percent of total capitalization (excluding noncontrolling interests) decreased to 41% at December 31, 2009 from 46% at June 30, 2009.

Cash Flows

Net cash provided by operating activities was $616.9 million during the six months ended December 31, 2009 as compared with $216.7 million in the prior−year period. Cash flows from operating activities improved significantly as compared with the prior−year period, primarily reflecting higher net earnings and the timing and level of tax payments. The increase in cash flows provided by operating activities also reflected higher accruals for employee compensation and advertising, merchandising and sampling, as well as lower inventory levels, partially offset by higher accounts receivable balances mainly due to the increase in net sales during the current−year period.

Net cash used for investing activities was $113.6 million during the six months ended December 31, 2009 as compared with $220.9 million in the prior−year period. The decrease in investing cash outflows primarily reflected lower acquisition activity in the current−year period as compared with the acquisitions of Applied Genetics Incorporated Dermatics and businesses engaged in the wholesale distribution and retail sale of Aveda products in the prior−year period. The change also reflected lower cash payments in the current−year period related to counters and leasehold improvements, and global information technology systems and infrastructure.

Net cash used for financing activities was $150.2 million during the six months ended December 31, 2009 as compared with net cash provided by financing activities of $351.8 million in the prior−year period, primarily reflecting the net proceeds from the issuance of the 2013 Senior Notes and from commercial paper borrowings in the prior−year period. Also contributing to this change were lower cash inflows from stock option exercises, an increase in treasury stock purchases and the current period repayment of a promissory note due July 31, 2009 related to the fiscal 2008 acquisition of Ojon Corporation.

Dividends

During the current−year period, we paid dividends on Class A and Class B Common Stock of $.55 per share (or an aggregate of $109.1 million) as compared with $.55 per share (or an aggregate of $108.4 million) in the prior−year period.

Commitments, Contingencies and Contractual Obligations

There have been no significant changes to our commitments, contingencies and contractual obligations as discussed in our Annual Report on Form 10−K for the year ended June 30, 2009.

Derivative Financial Instruments and Hedging Activities

There have been no significant changes to our derivative financial instruments and hedging activities as discussed in our Annual Report on Form 10−K for the year ended June 30, 2009.

Foreign Exchange Risk Management
We enter into foreign currency forward contracts to hedge anticipated transactions, as well as receivables and payables denominated in foreign currencies, for periods consistent with our identified exposures. The purpose of the hedging activities is to minimize the effect of foreign exchange rate movements on costs and on the cash flows that we receive from foreign subsidiaries. The majority of foreign currency forward contracts are denominated in currencies of major industrial countries. We may also enter into foreign currency option contracts to hedge anticipated transactions where there is a high probability that anticipated exposures will materialize. The foreign currency forward contracts entered into to hedge anticipated transactions have been designated as foreign currency cash−flow hedges and have varying maturities through the end of June 2010. Hedge effectiveness of foreign currency forward contracts is based on a hypothetical derivative methodology and excludes the portion of fair value attributable to the spot−forward difference which is recorded in current−period earnings. Hedge effectiveness of foreign currency option contracts is based on a dollar offset methodology. The ineffective portion of both foreign currency forward and option contracts is recorded in current−period earnings. For hedge contracts that are no longer deemed highly effective, hedge accounting is discontinued and gains and losses accumulated in other comprehensive income (loss) are reclassified to earnings when the underlying forecasted transaction occurs. If it is probable that the forecasted transaction will no longer occur, then any gains or losses in accumulated other comprehensive income (loss) are reclassified to current−period earnings. As of December 31, 2009, these foreign currency cash−flow hedges were highly effective, in all material respects.

At December 31, 2009, we had foreign currency forward contracts in the amount of $1,084.6 million. The foreign currencies included in foreign currency forward contracts (notional value stated in U.S. dollars) are principally the British pound ($258.2 million), Swiss franc ($206.7 million), Euro ($156.1 million), Canadian dollar ($96.1 million), Hong Kong dollar ($83.6 million), Australian dollar ($73.9 million) and Japanese yen ($35.9 million).

Interest Rate Risk Management
We enter into interest rate derivative contracts to manage the exposure to interest rate fluctuations on our funded indebtedness and anticipated issuance of debt for periods consistent with the identified exposures. We have interest rate swap agreements, with a notional amount totaling $250.0 million, to effectively convert the fixed rate interest on our 2017 Senior Notes to variable interest rates based on six−month LIBOR. These interest rate swap agreements are designated as fair value hedges of the related long−term debt and meet the accounting criteria that permit changes in the fair values of the interest rate swap agreements to exactly offset changes in the fair value of the underlying long−term debt. As of December 31, 2009, these fair−value hedges were highly effective in all material respects.

Credit Risk
As a matter of policy, we only enter into derivative contracts with counterparties that have at least an “A” (or equivalent) credit rating. The counterparties to these contracts are major financial institutions. Exposure to credit risk in the event of nonperformance by any of the counterparties is limited to the gross fair value of contracts in asset positions, which totaled $36.5 million at December 31, 2009. To manage this risk, we have established strict counterparty credit guidelines that are continually monitored and reported to management. Accordingly, management believes risk of loss under these hedging contracts is remote.

Certain of our derivative financial instruments contain credit−risk−related contingent features. As of December 31, 2009, we were in compliance with such features and there were no derivative financial instruments with credit−risk−related contingent features that were in a net liability position.

Market Risk
Using the value−at−risk model, as discussed in our Annual Report on Form 10−K for the fiscal year, ended June 30, 2009, the high, low and average measured value−at−risk for the twelve months ended December 31, 2009 related to our foreign exchange and interest rate contracts are as follows:

(In millions)	High	Low	Average
Foreign exchange contracts	$ 28.4	$ 19.0	$ 23.2
Interest rate contracts	34.3	16.2	25.8

There have been no significant changes in market risk since June 30, 2009 that would have a material effect on our calculated value−at−risk exposure, as disclosed in our Annual Report on Form 10−K for the fiscal year ended June 30, 2009.

Off−Balance Sheet Arrangements
We do not maintain any off−balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect on our financial condition or results of operations.

CRITICAL ACCOUNTING POLICIES

As disclosed in our Annual Report on Form 10−K for the fiscal year ended June 30, 2009, the discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in conformity with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in those financial statements. These judgments can be subjective and complex, and consequently actual results could differ from those estimates and assumptions. Our most critical accounting policies relate to revenue recognition, inventory, pension and other post−retirement benefit costs, goodwill, intangible assets and other long−lived assets, income taxes and derivatives. Since June 30, 2009, there have been no significant changes to the assumptions and estimates related to our critical accounting policies.

RECENTLY ADOPTED AND RECENTLY ISSUED ACCOUNTING STANDARDS

Refer to Note 1 of Notes to Consolidated Financial Statements — *Summary of Significant Accounting Policies* for discussion regarding the impact of recently adopted accounting standards, as well as the impact of accounting standards that were recently issued but not yet effective, on the Company.

FORWARD−LOOKING INFORMATION

We and our representatives from time to time make written or oral forward−looking statements, including statements contained in this and other filings with the Securities and Exchange Commission, in our press releases and in our reports to stockholders. The words and phrases “will likely result,” “expect,” “believe,” “planned,” “may,” “should,” “could,” “anticipate,” “estimate,” “project,” “intend,” “forecast” or similar expressions are intended to identify “forward−looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, without limitation, our expectations regarding sales, earnings or other future financial performance and liquidity, product introductions, entry into new geographic regions, information systems initiatives, new methods of sale, our long−term strategy, restructuring and other charges and future operations or operating results. Although we believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, actual results may differ materially from our expectations. Factors that could cause actual results to differ from expectations include, without limitation:

(1) increased competitive activity from companies in the skin care, makeup, fragrance and hair care businesses, some of which have greater resources than we do;

(2) our ability to develop, produce and market new products on which future operating results may depend and to successfully address challenges in our business;

(3) consolidations, restructurings, bankruptcies and reorganizations in the retail industry causing a decrease in the number of stores that sell our products, an increase in the ownership concentration within the retail industry, ownership of retailers by our competitors or ownership of competitors by our customers that are retailers and our inability to collect receivables;

(4) destocking and tighter working capital management by retailers;

(5) the success, or changes in timing or scope, of new product launches and the success, or changes in the timing or the scope, of advertising, sampling and merchandising programs;

(6) shifts in the preferences of consumers as to where and how they shop for the types of products and services we sell;

(7) social, political and economic risks to our foreign or domestic manufacturing, distribution and retail operations, including changes in foreign investment and trade policies and regulations of the host countries and of the United States;

(8) changes in the laws, regulations and policies (including the interpretations and enforcement thereof) that affect, or will affect, our business, including those relating to our products, changes in accounting standards, tax laws and regulations, trade rules and customs regulations, and the outcome and expense of legal or regulatory proceedings, and any action we may take as a result;

(9) foreign currency fluctuations affecting our results of operations and the value of our foreign assets, the relative prices at which we and our foreign competitors sell products in the same markets and our operating and manufacturing costs outside of the United States;

(10) changes in global or local conditions, including those due to the volatility in the global credit and equity markets, natural or man−made disasters, real or perceived epidemics, or energy costs, that could affect consumer purchasing, the willingness or ability of consumers to travel and/or purchase our products while traveling, the financial strength of our customers, suppliers or other contract counterparties, our operations, the cost and availability of capital which we may need for new equipment, facilities or acquisitions, the returns that we are able to generate on our pension assets and the resulting impact on funding obligations, the cost and availability of raw materials and the assumptions underlying our critical accounting estimates;

(11) shipment delays, depletion of inventory and increased production costs resulting from disruptions of operations at any of the facilities that manufacture nearly all of our supply of a particular type of product (i.e., focus factories) or at our distribution or inventory centers, including disruptions that may be caused by the implementation of SAP as part of our Strategic Modernization Initiative or by restructurings;

(12) real estate rates and availability, which may affect our ability to increase or maintain the number of retail locations at which we sell our products and the costs associated with our other facilities;

(13) changes in product mix to products which are less profitable;

(14) our ability to acquire, develop or implement new information and distribution technologies and initiatives on a timely basis and within our cost estimates;

(15) our ability to capitalize on opportunities for improved efficiency, such as publicly−announced restructuring and cost−savings initiatives, and to integrate acquired businesses and realize value therefrom;

(16) consequences attributable to the events that are currently taking place in the Middle East, including terrorist attacks, retaliation and the threat of further attacks or retaliation;

(17) the timing and impact of acquisitions and divestitures, which depend on willing sellers and buyers, respectively; and

(18) additional factors as described in our filings with the Securities and Exchange Commission, including the Annual Report on Form 10−K for the fiscal year ended June 30, 2009.

We assume no responsibility to update forward−looking statements made herein or otherwise.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk.***

The information required by this item is set forth in Item 2 of this Quarterly Report on Form 10−Q under the caption “Liquidity and Capital Resources − Market Risk” and is incorporated herein by reference.

Item 4. ***Controls and Procedures.***

Our disclosure controls and procedures (as defined in Rules 13a−15(e) and 15d−15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. The Chief Executive Officer and the Chief Financial Officer, with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of December 31, 2009 and, based on their evaluation, have concluded that the disclosure controls and procedures were effective as of such date.

As part of our Strategic Modernization Initiative, we anticipate the continued migration of our operations to SAP, with the majority of our locations being implemented through fiscal 2012. Based on management's evaluation, the necessary steps have been taken to monitor and maintain appropriate internal control over financial reporting during this period.

There have been no changes in our internal control over financial reporting (as defined in Rules 13a−15(f) and 15d−15(f) of the Exchange Act) that occurred during the second quarter of fiscal 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings.***

We are involved, from time to time, in litigation and other legal proceedings incidental to our business. Management believes that the outcome of current litigation and legal proceedings will not have a material adverse effect upon our results of operations or financial condition. However, management's assessment of our current litigation and other legal proceedings could change in light of the discovery of facts with respect to legal actions or other proceedings pending against us not presently known to us or determinations by judges, juries or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or proceedings.

In 1999, the Office of the Attorney General of the State of New York (the "State") notified the Company and ten other entities that they had been identified as potentially responsible parties ("PRPs") with respect to the Blydenburgh landfill in Islip, New York. Each PRP was alleged to be jointly and severally liable for the costs of investigation and cleanup, which the State estimated in 2006 to be approximately $19.7 million for all PRPs. In 2001, the State sued other PRPs (including Hickey's Carting, Inc., Dennis C. Hickey and Maria Hickey, collectively the "Hickey Parties"), in the U.S. District Court for the Eastern District of New York to recover such costs in connection with the site, and in September 2002, the Hickey Parties brought contribution actions against the Company and other Blydenburgh PRPs. These contribution actions sought to recover, among other things, any damages for which the Hickey Parties are found liable in the State's lawsuit against them, and related costs and expenses, including attorneys' fees. In June 2004, the State added the Company and other PRPs as defendants in its pending case against the Hickey Parties. In April 2006, the Company and other defendants added numerous other parties to the case as third−party defendants. Settlement negotiations with the new third−party defendants, the State, the Company and other defendants that began in July 2006 resulted in a proposed consent decree to resolve the case. The consent decree was approved by the Court and the period for appeal has expired. The funds put in escrow by the PRPs, including the Company, were paid to the State in early January 2010 and the matter has concluded. The Company's share of the funds was not material to the Company's consolidated financial statements.

Item 1A. ***Risk Factors.***

There are risks associated with an investment in our securities.

Please consider the risks set forth in "Item 1A. Risk Factors" of our Annual Report on Form 10−K for the year ended June 30, 2009 (as supplemented below) and elsewhere in that report and our subsequent filings with the Securities and Exchange Commission. Our business may also be adversely affected by risks and uncertainties not presently known to us or that we currently believe to be immaterial. If any of the events contemplated by the discussion of risks in that annual report (as supplemented below) should occur or other risks arise or develop, our business, prospects, financial condition and results of operations, as well as the trading prices of our securities, may be adversely affected.

We are controlled by the Lauder family. As a result of their control of us, the Lauder family has the ability to prevent or cause a change in control or approve, prevent or influence certain actions by us.

As of January 22, 2010, members of the Lauder family beneficially own, directly or indirectly, shares of Class A Common Stock (with one vote per share) and Class B Common Stock (with 10 votes per share) having approximately 87.5% of the outstanding voting power of the Common Stock. In addition, there are six members of the Lauder family who are employees, including four who are members of our Board of Directors. As a result of the stock ownership and their positions at the Company, the Lauder family has the ability to exercise significant control and influence over our business, including, without limitation, all matters requiring stockholder approval, including the election of directors, amendments to the certificate of incorporation and significant corporate transactions, such as a merger or other sale of our Company or its assets, for the foreseeable future.

THE ESTÉE LAUDER COMPANIES INC.

We are a "controlled company" within the meaning of the New York Stock Exchange rules and, as a result, are relying on exemptions from certain corporate governance requirements that are designed to provide protection to stockholders of companies that are not "controlled companies."

The Lauder family and their related entities own more than 50% of the total voting power of our common shares and, as a result, we are a "controlled company" under the New York Stock Exchange corporate governance standards. As a controlled company, we are exempt under the New York Stock Exchange standards from the obligation to comply with certain New York Stock Exchange corporate governance requirements, including the requirements:

- that a majority of our board of directors consists of independent directors;
- that we have a nominating committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

While we have voluntarily caused our Board to have a majority of independent directors and the written charters of our Nominating and Board Affairs Committee and the Compensation Committee to have the required provisions, we are not requiring our Nominating and Board Affairs Committee and Compensation Committee to be comprised solely of independent directors. As a result of our use of the "controlled company" exemptions, investors will not have the same protection afforded to stockholders of companies that are subject to all of the New York Stock Exchange corporate governance requirements.

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

Share Repurchase Program

We are authorized by the Board of Directors to repurchase up to 88.0 million shares of Class A Common Stock in the open market or in privately negotiated transactions, depending on market conditions and other factors. As of December 31, 2009, the cumulative total of acquired shares pursuant to the authorization was 66.7 million, reducing the remaining authorized share repurchase balance to 21.3 million. During the six months ended December 31, 2009, we purchased approximately 1.4 million shares pursuant to the authorization for $69.1 million as outlined in the following table:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program(1)
July 2009	—	—	—	22,734,432
August 2009	—	—	—	22,734,432
September 2009	11,688(2)	$ 34.21	—	22,734,432
October 2009	—	—	—	22,734,432
November 2009	526,386(3)	46.06	330,000	22,404,432
December 2009	1,098,463	48.61	1,098,463	21,305,969
	1,636,537	$ 47.69	1,428,463	21,305,969

(1) The initial program covering the repurchase of 8.0 million shares was announced in September 1998 and increased by 20.0 million shares each in November 2007, February 2007 and May 2005 and 10.0 million shares in both May 2004 and October 2002.

(2) Represents shares that were repurchased by the Company in connection with shares withheld to satisfy tax obligations upon the settlement of performance share units earned as of June 30, 2009.

(3) Includes shares that were repurchased by the Company in connection with shares withheld to satisfy tax obligations upon the vesting of restricted stock units.

THE ESTÉE LAUDER COMPANIES INC.

Sales of Unregistered Securities
Shares of Class B Common Stock may be converted immediately into Class A Common Stock on a one−for−one basis by the holder and are automatically converted into Class A Common Stock on a one−for−one basis upon transfer to a person or entity that is not a "Permitted Transferee" or soon after a record date for a meeting of stockholders where the outstanding Class B Common Stock constitutes less than 10% of the outstanding shares of Common Stock of the Company. There is no cash or other consideration paid by the holder converting the shares and, accordingly, there is no cash or other consideration received by the Company. The shares of Class A Common Stock issued by the Company in such conversions are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(9) thereof.

During the three months ended December 31, 2009, the stockholder set forth in the table below converted shares of Class B Common Stock into Class A Common Stock on the date set forth below:

Stockholder That Converted Class B Common Stock to Class A Common Stock	Date of Conversion	Number of Shares Converted/ Received
Ronald S. Lauder	November 24, 2009	50,000

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

(a) The Annual Meeting of Stockholders of the Company was held on November 13, 2009.

(b) The following directors were re−elected at the Annual Meeting of Stockholders: Rose Marie Bravo, CBE, Paul J. Fribourg, Mellody Hobson, Irvine O. Hockaday, Jr., and Barry S. Sternlicht as Class I Directors for a term expiring at the 2012 Annual Meeting. The Class II Directors, whose terms expire at the 2010 Annual Meeting are Aerin Lauder, William P. Lauder, Richard D. Parsons, Lynn Forester de Rothschild and Richard F. Zannino. The Class III Directors, whose terms expire at the 2011 Annual Meeting are Charlene Barshefsky, Fabrizio Freda, Jane Lauder and Leonard A. Lauder.

(i) Each person re−elected as a director at the Annual Meeting received the number of votes (shares of Class B Common Stock are entitled to ten votes per share) indicated beside his or her name:

Name	Votes For	Votes Withheld
Rose Marie Bravo, CBE	867,083,393	11,562,451
Paul J. Fribourg	873,005,681	5,640,163
Mellody Hobson	873,015,959	5,629,885
Irvine O. Hockaday, Jr.	872,802,821	5,843,023
Barry S. Sternlicht	866,825,222	11,820,622

(ii) 877,478,794 votes (shares of Class B Common Stock are entitled to ten votes per share) were cast for and 1,144,622 votes were cast against the ratification of the appointment of KPMG LLP as independent auditors of the Company for the 2010 fiscal year. There were 22,428 abstentions and no broker nonvotes.

(d) Not applicable

THE ESTÉE LAUDER COMPANIES INC.

Item 6. ***Exhibits.***

Exhibit Number	Description
10.1	$750 Million Credit Agreement, dated April 26, 2007, by and among The Estée Lauder Companies Inc., Estee Lauder Inc., the Eligible Subsidiaries, as defined therein, the lenders listed therein, JPMorgan Chase Bank, N.A., as administrative agent ("JPMCB"), Bank of America, N.A. and Citibank, N.A., as syndication agents, Bank of Tokyo−Mitsubishi Trust Company and BNP Paribas, as documentation agents and Citigroup Global Markets Inc. and JPMCB, as joint book runners and joint lead arrangers.
10.2	Services Agreement, dated January 1, 2003, among Estee Lauder Inc., Melville Management Corp., Leonard A. Lauder, and William P. Lauder.
10.3	Services Agreement, dated November 22, 1995, between Estee Lauder Inc. and RSL Investments Corp.
10.4	Agreement of Sublease and Guarantee of Sublease, dated April 1, 2005, among Aramis Inc., RSL Management Corp., and Ronald S. Lauder.
10.5	First Amendment to Sublease, dated February 28, 2007, between Aramis Inc. and RSL Management Corp.
10.6	Second Amendment to Sublease, dated January 27, 2010, between Aramis Inc., and RSL Management Corp.
10.7	Form of Art Loan Agreement between Lender and Estee Lauder Inc.
31.1	Certification pursuant to Rule 13a−14(a) (CEO)
31.2	Certification pursuant to Rule 13a−14(a) (CFO)
32.1	Certification pursuant to Rule 13a−14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002 (CEO). (furnished)
32.2	Certification pursuant to Rule 13a−14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002 (CFO). (furnished)

SIGNATURES

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

THE ESTÉE LAUDER COMPANIES INC.

Date: January 28, 2010

By: /s/RICHARD W. KUNES
Richard W. Kunes
Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Table of Contents

THE ESTÉE LAUDER COMPANIES INC.

INDEX TO EXHIBITS

Exhibit Number	Description
10.1	$750 Million Credit Agreement, dated April 26, 2007, by and among The Estée Lauder Companies Inc., Estee Lauder Inc., the Eligible Subsidiaries, as defined therein, the lenders listed therein, JPMorgan Chase Bank, N.A., as administrative agent ("JPMCB"), Bank of America, N.A. and Citibank, N.A., as syndication agents, Bank of Tokyo−Mitsubishi Trust Company and BNP Paribas, as documentation agents and Citigroup Global Markets Inc. and JPMCB, as joint book runners and joint lead arrangers.
10.2	Services Agreement, dated January 1, 2003, among Estee Lauder Inc., Melville Management Corp., Leonard A. Lauder, and William P. Lauder.
10.3	Services Agreement, dated November 22, 1995, between Estee Lauder Inc. and RSL Investments Corp.
10.4	Agreement of Sublease and Guarantee of Sublease, dated April 1, 2005, among Aramis Inc., RSL Management Corp., and Ronald S. Lauder.
10.5	First Amendment to Sublease, dated February 28, 2007, between Aramis Inc. and RSL Management Corp.
10.6	Second Amendment to Sublease, dated January 27, 2010, between Aramis Inc., and RSL Management Corp.
10.7	Form of Art Loan Agreement between Lender and Estee Lauder Inc.
31.1	Certification pursuant to Rule 13a−14(a) (CEO)
31.2	Certification pursuant to Rule 13a−14(a) (CFO)
32.1	Certification pursuant to Rule 13a−14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002 (CEO). (furnished)
32.2	Certification pursuant to Rule 13a−14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002 (CFO). (furnished)

Exhibit 10.1

EXECUTION COPY

$750,000,000

CREDIT AGREEMENT

dated as of

April 26, 2007

among

The Estée Lauder Companies Inc.,

Estee Lauder Inc.,

The Eligible Subsidiaries Referred to Herein,

The Lenders Listed Herein,

JPMorgan Chase Bank, N.A.,
as Administrative Agent,

Citibank, N.A. and Bank of America, N.A.
as Syndication Agents

and

Bank of Tokyo−Mitsubishi UFJ Trust Company and BNP Paribas,
as Documentation Agents

Joint Bookrunners and Joint Lead Arrangers:
J.P. Morgan Securities Inc.
Citigroup Global Markets, Inc.

TABLE OF CONTENTS

Article 4
REPRESENTATIONS AND WARRANTIES

Article 5
COVENANTS

Article 6
DEFAULTS

Article 7
THE ADMINISTRATIVE AGENT

AGREEMENT dated as of April 26, 2007 among THE ESTÉE LAUDER COMPANIES INC., ESTEE LAUDER INC., the ELIGIBLE SUBSIDIARIES referred to herein, the LENDERS listed on the signature pages hereof, JPMORGAN CHASE BANK, N.A., as Administrative Agent, CITIBANK N.A. and BANK OF AMERICA, N.A. as Syndication Agents.

The parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

Section 1.01. *Definitions.* The following terms, as used herein, have the following meanings:

"**Absolute Rate Auction**" means a solicitation of Competitive Bid Quotes setting forth Competitive Bid Absolute Rates pursuant to Section 2.03.

"**Administrative Agent**" means JPMorgan Chase Bank, N.A. in its capacity as Administrative Agent for the Lenders hereunder, and its successors in such capacity.

"**Administrative Questionnaire**" means, with respect to each Lender, an administrative questionnaire in the form prepared by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Company) duly completed by such Lender.

"**Affiliate**" means (i) any Person that directly, or indirectly through one or more intermediaries, controls the Company (a "**Controlling Person**") or (ii) any Person (other than the Company or a Subsidiary) which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means possession, directly or indirectly, of the power to vote securities constituting 10% or more of the voting power represented by all of the outstanding voting securities of a Person or to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"**Affiliate Transaction**" has the meaning set forth in Section 5.12.

"**Alternative Currencies**" means Sterling, Euros, Yen and Swiss Francs.

"**Alternative Currency Sublimit**" means a Dollar Amount equal to $250,000,000.

"**Applicable Agent**" means, (a) with respect to a Loan or Borrowing denominated in Dollars, the Administrative Agent, or (b) with respect to any particular Alternative Currency, the Administrative Agent or such other Person as may be agreed upon by the Company and the Administrative Agent and designated in a notice delivered to the Lenders.

"**Applicable Lending Office**" means, with respect to any Lender, (i) in the case of its Base Rate Loans, its Domestic Lending Office, (ii) in the case of its Euro−Currency Loans, its Euro−Currency Lending Office and (iii) in the case of its Competitive Bid Loans, its Competitive Bid Lending Office.

"**Approved Fund**" means any Fund that is administered or managed by (i) a Lender, (ii) an affiliate of a Lender or (iii) an entity or an affiliate of an entity that administers or manages a Lender.

"**Assignee**" has the meaning set forth in Section 10.06(c).

"**Available Commitment**" means, with respect to any Lender at any time, an amount equal to such Lender's Commitment at such time minus such Lender's Outstanding Committed Amount at such time.

"**Base Rate**" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of ½ of 1% plus the Federal Funds Rate for such day.

"**Base Rate Loan**" means (i) a Committed Dollar Loan which bears interest at the Base Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Interest Rate Election, (ii) a Committed Loan which bears interest at the Base Rate pursuant to the provisions of Article 8 or (iii) an overdue amount which was a Base Rate Loan immediately before it became overdue.

"**Benefit Arrangement**" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"**Borrower**" means the Company or any Eligible Subsidiary, as the context may require, and their respective successors, and "**Borrowers**" means all of the foregoing. When used in relation to any Loan or Letter of Credit, references to "**the Borrower**" are to the particular Borrower to which such Loan is or is to be made or at whose request such Letter of Credit is or is to be issued.

"**Borrowing**" has the meaning set forth in Section 1.03.

"**Capitalized Lease Obligations**" of any Person means obligations of such Person to pay rent or other amounts under any lease of (or other arrangement

conveying the right to use) real or personal property, or a combination thereof, which obligations are required under GAAP to be classified and accounted for as capital leases on a balance sheet of such Person. The amount of such obligations will be the capitalized amount thereof determined in accordance with GAAP.

"**Change of Control**" means (i) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) other than the Lauder Family Members, of equity interests representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding equity interests of the Company; (ii) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Company by persons who were neither (x) nominated by the board of directors of the Company nor (y) appointed by directors so nominated; (iii) the acquisition of direct or indirect control of the Company by any person or group other than the Lauder Family Members; or (iv) the Company shall cease at any time to own, directly or indirectly, 100% of the outstanding capital stock of the Company Guarantor.

"**Closing Date**" means April 26, 2007 or such later date on which the Administrative Agent shall have received the documents specified in or pursuant to Section 3.01.

"**Commitment**" means (i) with respect to each Lender, the amount of such Lender's Commitment, as such amount is set forth opposite the name of such Lender on the Commitment Schedule, as such Commitment may be (a) increased from time to time pursuant to Section 2.20, (ii) with respect to any Additional Lender, the amount of the Commitment assumed by it pursuant to Section 2.20, and (iii) with respect to any Assignee, the amount of the transferor Lender's Commitment assigned to it pursuant to Section 10.06, in each case as such amount may be reduced from time to time pursuant to Section 2.09 and Section 2.20 or Section 10.06; *provided* that, if the context so requires, the term "Commitment" means the obligation of a Lender to extend credit up to such amount to the Borrowers hereunder.

"**Committed Alternative Currency Loans**" means Loans denominated in Alternative Currencies and made pursuant to Section 2.01.

"**Committed Dollar Loans**" means Loans denominated in dollars and made pursuant to Section 2.01.

"**Committed Loan**" means a Committed Dollar Loan or a Committed Alternative Currency Loan; *provided* that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate Election, the term "Committed Loan" shall refer to the combined principal Dollar

Amount resulting from such combination or to each of the separate principal Dollar Amounts resulting from such subdivision, as the case may be.

"**Company**" means The Estée Lauder Companies Inc., a Delaware corporation, and its successors.

"**Company Guarantor**" means Estee Lauder Inc., a Delaware corporation, and its successors.

"**Competitive Bid Absolute Rate**" has the meaning set forth in Section 2.03(d).

"**Competitive Bid Absolute Rate Loan**" means a loan to be made by a Lender pursuant to an Absolute Rate Auction.

"**Competitive Bid Lending Office**" means, as to each Lender, its Domestic Lending Office or such other office, branch or affiliate of such Lender as it may hereafter designate as its Competitive Bid Lending Office by notice to the Company and the Administrative Agent; *provided* that any Lender may from time to time by notice to the Company and the Administrative Agent designate separate Competitive Bid Lending Offices for its Competitive Bid LIBOR Loans, on the one hand, and its Competitive Bid Absolute Rate Loans, on the other hand, in which case all references herein to the Competitive Bid Lending Office of such Lender will be deemed to refer to either or both of such offices, as the context may require.

"**Competitive Bid LIBOR Loan**" means a loan to be made by a Lender pursuant to a LIBOR Auction (including such a loan bearing interest at the Base Rate pursuant to Section 8.01).

"**Competitive Bid Loan**" means a Competitive Bid LIBOR Loan or a Competitive Bid Absolute Rate Loan.

"**Competitive Bid Margin**" has the meaning set forth in Section 2.03(d)(ii)(C).

"**Competitive Bid Quote**" means an offer by a Lender to make a Competitive Bid Loan in accordance with Section 2.03.

"**Consolidated Interest Expense**" means, for any period, (x) total interest expense (including, without limitation, rent or interest expense pursuant to Capitalized Lease Obligations that is treated as interest in accordance with GAAP) of the Company and its Consolidated Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP *minus* (y) the interest income of the Company and its Consolidated Subsidiaries for such period determined on a consolidated basis in accordance with GAAP.

"**Consolidated EBITDA**" means, for any period, the consolidated net income of the Company and its Consolidated Subsidiaries for such period *plus*, to the extent deducted in computing such consolidated net income for such period, the sum (without duplication) of (a) income tax expense, (b) Consolidated Interest Expense, (c) depreciation and amortization expense and (d) extraordinary non−cash charges, and *minus*, to the extent added in computing such consolidated net income for such period, extraordinary gains.

"**Consolidated Subsidiary**" means at any date any Subsidiary or other entity the accounts of which would be consolidated with those of the Company in its consolidated financial statements if such statements were prepared as of such date.

"**Consolidated Tangible Net Worth**" means at any date the consolidated stockholders' equity of the Company and its Consolidated Subsidiaries (excluding for this purpose any amount attributable to stock which is required to be redeemed, or is redeemable at the option of the holder, if certain events or conditions occur or exist or otherwise, other than shares of the Company's Series A cumulative redeemable preferred stock, par value $.01 per share, due June 2015 outstanding on the date of this Agreement) less their consolidated Intangible Assets, all determined as of such date. For purposes of this definition, "Intangible Assets" means the amount (to the extent reflected in determining such consolidated stockholders' equity) of (i) all write−ups (other than write−ups resulting from foreign currency translations and write−ups of assets of a going concern business made within twelve months after the acquisition of such business) subsequent to June 30, 2006 in the book value of any asset owned by the Company or a Consolidated Subsidiary, (ii) all investments in unconsolidated Subsidiaries and all equity investments in Persons which are not Subsidiaries and (iii) all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, anticipated future benefit of tax loss carry−forwards, copyrights, organization or developmental expenses and other intangible assets.

"**Debt**" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all Capitalized Lease Obligations of such Person, (v) all non−contingent obligations (and, for purposes of Section 5.10 and the definitions of Material Debt and Material Financial Obligations, all contingent obligations) of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (vi) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person and (vii) all Debt of others Guaranteed by such Person.

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

"**Derivatives Obligations**" of any Person means all obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross−currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions.

"**Dollar Amount**" means, at any time:

(i) with respect to any Loan denominated in dollars, the principal amount thereof then outstanding;

(ii) with respect to any Committed Alternative Currency Loan, the equivalent in dollars of the principal amount thereof then outstanding in the relevant Alternative Currency, determined by the Administrative Agent using the Exchange Rate with respect to such Alternative Currency then in effect; and

(iii) with respect to any Letter of Credit Liabilities, (A) if denominated in Dollars, the amount thereof and (B) if denominated in an Alternative Currency, determined by the Administrative Agent using the Exchange Rate with respect to such Alternative Currency then in effect.

"**dollars**", "**Dollars**" and the sign "**$**" mean lawful currency of the United States.

"**Domestic Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized by law to close.

"**Domestic Lending Office**" means, as to each Lender, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office as such Lender may hereafter designate as its Domestic Lending Office by notice to the Company and the Administrative Agent.

"**Effective Date**" means the date this Agreement becomes effective in accordance with Section 10.09.

"**Election to Participate**" means an Election to Participate substantially in the form of Exhibit H hereto.

"**Election to Terminate**" means an Election to Terminate substantially in the form of Exhibit I hereto.

"**Eligible Subsidiary**" means Estée Lauder NV and any Wholly−Owned Consolidated Subsidiary, as to which an Election to Participate shall have been delivered to the Administrative Agent and as to which an Election to Terminate with respect to such Election to Participate shall not have been delivered to the Administrative Agent. Each such Election to Participate and Election to Terminate shall be duly executed on behalf of such Wholly−Owned Consolidated Subsidiary and the Company in such number of copies as the Administrative Agent may request. If at any time a Subsidiary theretofore designated as an Eligible Subsidiary no longer qualifies as a Wholly−Owned Consolidated Subsidiary, the Company shall cause to be delivered to the Administrative Agent an Election to Terminate terminating the status of such Subsidiary as an Eligible Subsidiary. The delivery of an Election to Terminate shall not affect any obligation of an Eligible Subsidiary theretofore incurred or the guaranty thereof by the Company and the Company Guarantor. The Administrative Agent shall promptly give notice to the Lenders of the receipt of any Election to Participate or Election to Terminate.

"**Environmental Laws**" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to the environment, the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the clean−up or other remediation thereof.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"**ERISA Group**" means the Company, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company or any Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

"**Euro**" means the single currency of the Participating Member States of the European Union.

"**Euro−Currency Business Day**" means a Euro−Dollar Business Day, unless such term is used in connection with an Alternative Currency Borrowing or Committed Alternative Currency Loan, in which case such day shall not be a Euro−Currency Business Day unless commercial banks are open for international business (including dealings in deposits in such Alternative Currency) in both London and the place designated by the Applicable Agent with respect to such Alternative Currency for funds to be paid or made available in such Alternative Currency.

"**Euro−Currency Lending Office**" means, as to each Lender, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro−Currency Lending Office) or such other office, branch or affiliate of such Lender as it may hereafter designate as its Euro−Currency Lending Office by notice to the Company and the Administrative Agent; *provided* that any Lender may from time to time by notice to the Company and the Administrative Agent designate separate Euro−Currency Lending Offices for its Loans in different currencies, in which case all references herein to the Euro−Currency Lending Office of such Lender shall be deemed to refer to any or all of such offices, as the context may require.

"**Euro−Currency Loan**" means a Committed Loan that is either a Euro−Dollar Loan or a Committed Alternative Currency Loan.

"**Euro−Currency Margin**" has the meaning set forth in the Pricing Schedule.

"**Euro−Currency Rate**" means a rate of interest determined pursuant to Section 2.07 on the basis of a London Interbank Offered Rate.

"**Euro−Currency Reserve Percentage**" means, for any day, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro−Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non−United States office of any Lender to the United States residents).

"**Euro−Dollar Business Day**" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

"**Euro−Dollar Loan**" means (i) a Committed Dollar Loan which bears interest at a Euro−Currency Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Interest Rate Election or (ii) an overdue amount which was a Euro−Dollar Loan immediately before it became overdue.

"**Event of Default**" has the meaning set forth in Section 6.01.

"**Exchange Rate**" means, on any day, with respect to any Alternative Currency, the rate at which such Alternative Currency may be exchanged into dollars (and, for purposes of any provision of this Agreement requiring or permitting the conversion of Committed Alternative Currency Loans to Loans denominated in dollars, the rate at which dollars may be exchanged into the applicable Alternative Currency), as set forth at or about 9:00 a.m., New York City time, or at or about 11:00 a.m., London time, on such date on the Reuters World Currency Page for such currency. In the event that such rate does not appear on any Reuters World Currency Page, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent, the Applicable Agent with respect to such Alternative Currency and the Company, or, in the absence of such agreement, such Exchange Rate shall instead be the arithmetic average of the spot buying and selling rates of exchange of such Applicable Agent in the market where its foreign currency exchange operations in respect of such currency are then being conducted, on or about 11:00 a.m., New York City time, or on or about 11:00 a.m., London time, on such date for the purchase of dollars (or such foreign currency, as the case may be) for delivery two Business Days later; *provided* that if at the time of any such determination, for any reason, no such spot rate is being quoted, such Applicable Agent, after consultation with the Company and the Administrative Agent, may use any reasonable method it deems appropriate to determine such rate, and such determination shall be presumed correct absent manifest error.

"**Existing Credit Agreement**" means the Credit Agreement dated as of May 27, 2005 among the Company, the Company Guarantor, the lenders listed therein and the administrative agent listed therein.

"**Facility Fee**" has the meaning set forth in Section 2.08.

"**Facility Fee Rate**" has the meaning set forth in the Pricing Schedule.

"**Federal Funds Rate**" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day; *provided* that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions

on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to JPMorgan Chase Bank, N.A. on such day on such transactions as determined by the Administrative Agent.

"**Fixed Rate Loans**" means Euro−Currency Loans or Competitive Bid Loans (excluding Competitive Bid LIBOR Loans bearing interest at the Base Rate pursuant to Section 8.01) or any combination of the foregoing.

"**Fund**" means any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"**GAAP**" means generally accepted accounting principles as in effect from time to time in the United States.

"**Granting Lender**" has the meaning specified in Section 10.06(f).

"**Group of Loans**" means at any time a group of Loans consisting of (i) all Committed Loans to the same Borrower which are Base Rate Loans at such time or (ii) all Euro−Currency Loans to the same Borrower which are in the same currency and have the same Interest Period at such time; *provided* that, if a Committed Loan of any particular Lender is converted to or made as a Base Rate Loan pursuant to Article 8, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been if it had not been so converted or made.

"**Guarantee**" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt (whether arising by virtue of partnership arrangements, by agreement to keep−well, to purchase assets, goods, securities or services, to take−or−pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the holder of such Debt of the payment thereof or to protect such holder against loss in respect thereof (in whole or in part); *provided* that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "**Guarantee**" used as a verb has a corresponding meaning.

"**Guarantor**" means, with respect to the obligations of the Borrowers hereunder, the Company Guarantor and, with respect to the obligations of Borrowers hereunder other than the Company, the Company, and "**Guarantors**" means all of the foregoing.

"**Guaranty**" means the obligations of the Guarantors set forth in Article 11.

"**Hazardous Substances**" means any toxic, radioactive, caustic or otherwise hazardous substance, including petroleum, its derivatives, by−products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

"**Increased Cost**" has the meaning set forth in Section 10.06(f).

"**Incremental Commitments**" has the meaning set forth in Section 2.20.

"**Incremental Commitment Notice**" has the meaning set forth in Section 2.20.

"**Indemnitee**" has the meaning set forth in Section 10.03(b).

"**Interest Expense Coverage Ratio**" means, as of any date, the ratio of Consolidated EBITDA to Consolidated Interest Expense, in each case determined for the four most recent fiscal quarters (taken as a single accounting period) ended on such date.

"**Interest Period**" means:

(1) with respect to each Euro−Currency Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Interest Rate Election and ending one, two, three or six months thereafter, as a Borrower may elect in the applicable notice; *provided* that:

(a) any Interest Period (except an Interest Period determined pursuant to clause (c) below) which would otherwise end on a day which is not a Euro−Currency Business Day shall be extended to the next succeeding Euro−Currency Business Day unless such Euro−Currency Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro−Currency Business Day;

(b) any Interest Period which begins on the last Euro−Currency Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro−Currency Business Day of a calendar month; and

(c) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date (or, if the Termination Date is not a Euro−Currency Business Day, on the next preceding Euro−Currency Business Day);

(2) with respect to each Competitive Bid LIBOR Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing and ending such whole number of months thereafter as a Borrower may elect in accordance with Section 2.03; *provided* that:

(a) any Interest Period (except an Interest Period determined pursuant to clause (c) below) which would otherwise end on a day which is not a Euro−Dollar Business Day shall be extended to the next succeeding Euro−Dollar Business Day unless such Euro−Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro−Dollar Business Day;

(b) any Interest Period which begins on the last Euro−Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro−Dollar Business Day of a calendar month; and

(c) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date (or, if the Termination Date is not a Euro−Dollar Business Day, the next preceding Euro−Dollar Business Day); and

(3) with respect to each Competitive Bid Absolute Rate Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing and ending such number of days thereafter (but not less than 7 days) as a Borrower may elect in accordance with Section 2.03; *provided* that:

(a) any Interest Period (except an Interest Period determined pursuant to clause (b) below) which would otherwise end on a day which is not a Euro−Dollar Business Day shall be extended to the next succeeding Euro−Dollar Business Day; and

(b) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date (or, if the Termination Date is not a Euro−Dollar Business Day, on the next preceding Euro−Dollar Business Day).

"**Internal Revenue Code**" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"**Issuing Lender**" means JPMorgan Chase Bank, N.A., in its capacity as issuer of a Letter of Credit hereunder.

"**Joint Arrangers**" means J.P. Morgan Securities Inc. and Citigroup Global Markets, Inc.

"**Lauder Family Member**" means (i) the estate of Mrs. Estée Lauder, (ii) each descendant of Mrs. Estée Lauder (each such Person, a "**Lauder Descendant**") and their respective estates, guardians, conservators or committees, (iii) each Family Controlled Entity, (iv) each Current Spouse of Lauder Descendants and (v) the trustees, in their respective capacities as such, of each Family Controlled Trust. As used herein, "**Family Controlled Entity**" means (w) any not−for−profit corporation if at least a majority of its board of directors is composed of Lauder Descendants and/or Current Spouses of Lauder Descendants, (x) any other corporation if (i) both (aa) Lauder Descendants and/or Current Spouses of Lauder Descendants (or in the case of subclause (i)(aa)(xx), their respective estates, guardians, conservators or committees) (xx) hold in the aggregate, directly or indirectly through one or more wholly owned Persons, securities having ordinary voting power to elect a majority of the board of directors of such corporation or (yy) constitute a majority of the board of directors of such corporation and (bb) at least a majority of the value of the outstanding equity of such corporation is owned by Lauder Family Members or (ii) at least 80% of the value of the outstanding equity of such corporation is owned by Lauder Family Members, (y) any partnership if at least a majority of the value of its partnership interests (both general and limited) are owned by Lauder Family Members, and (z) any limited liability or similar company if (i) both (aa) Lauder Descendants and/or Current Spouses of Lauder Descendants (or, in the case of subclause (i)(aa)(xx), their respective estates, guardians, conservators or committees) (xx) hold in the aggregate, directly or indirectly through one or more wholly owned Persons, securities or other equity interests having ordinary voting power to elect or appoint at least a majority of the managing members of such company or (yy) constitute a majority of the managing members of such company and (bb) a majority of the value of such company is owned by Lauder Family Members or (ii) at least 80% of the value of such company is owned by Lauder Family Members. As used herein, "**Family Controlled Trust**" shall mean any trust the primary beneficiaries of which are Lauder Descendants, Spouses of Lauder Descendants and/or charitable organizations (collectively, "**Lauder Beneficiaries**"); *provided*, that, if the trust is a wholly charitable trust, at least a majority of the trustees of such trust consist of Lauder Descendants and/or Current Spouses of Lauder Descendants. For purposes of the definition of "Family Controlled Trust", the primary beneficiaries of a trust will be deemed to be Lauder Beneficiaries if, under the maximum exercise of discretion by the trustee in favor of persons who are neither Lauder Beneficiaries nor Family Controlled Trusts, the value of the interests of such persons in such trust, computed actuarially, is less than 50%. In determining the primary beneficiaries of a trust for purposes of the definition of "Family Controlled Trust", (A) the factors and methods prescribed in section 7520 of the Internal Revenue Code of 1986, as amended, for use in ascertaining the value of certain interests shall be used in determining a beneficiary's actuarial interest in a trust, (B) the actuarial value of the interest in a trust of any person in whose favor a testamentary power of appointment may be exercised shall be deemed to be zero and (C) in the case of

a trust created by one or more of Mrs. Estée Lauder, Joseph H. Lauder or Lauder Descendants, the actuarial value of the interest in such trust of any person who may receive trust property only at the termination of the trust and then only in the event that, at the termination of the trust, there are no living issue of one or more of Mrs. Estée Lauder, Joseph H. Lauder or Lauder Descendants shall be deemed to be zero. For purposes hereof, (1) "**Spouses of Lauder Descendants**" means those individuals who at any time were married to any Lauder Descendant whether or not such marriage is subsequently dissolved by death, divorce, or by any other means, (2) "**Current Spouse of Lauder Descendants**" means an individual who is married to a Lauder Descendant, but only so long as such marriage has not been dissolved by death, divorce or by any other means, (3) the relationship of any person that is derived by or through legal adoption shall be considered a natural relationship, (4) a minor who is a descendant of Mrs. Estée Lauder and for whom equity interests are held pursuant to a Uniform Gifts to Minors Act or similar law shall be considered the holder of such equity interests and the custodian who is the record holder of such equity interests shall not be considered the holder thereof, (5) an incompetent stockholder of any equity interests whose equity interests are owned or held by a guardian or conservator shall be considered the holder of such equity interest and such guardian or conservator who is the holder of such equity interests shall not be considered the holder thereof, (6) any equity interests pledged by a holder thereof as security for any obligation shall be deemed to be held by such holder unless and until the pledgee of such equity interests has declared a default with respect to such obligation and has the right (whether or not being presently exercised) to vote or direct the voting of such equity interests and (7) except as provided in clauses (4), (5) and (6) above, the holder of any equity interests shall mean the record holder of such equity interests; *provided*, however, that if such record holder of such equity interests is a nominee, the holder of such equity interests shall be the first person in the chain of ownership of such equity interests who is not holder thereof solely as a nominee.

"**Lender**" means (i) each bank or other institution listed on the signature pages hereof, (ii) each financial institution which becomes a Lender pursuant to Section 2.20, (iii) each Assignee which becomes a Lender pursuant to Section 10.06(c) and (iv) their respective successors.

"**Letter of Credit**" means a letter of credit to be issued hereunder by the Issuing Lender in accordance with Section 2.19.

"**Letter of Credit Disbursement**" means a payment made by the Issuing Lender pursuant to a Letter of Credit.

"**Letter of Credit Fee Rate**" has the meaning set forth in the Pricing Schedule.

"**Letter of Credit Liabilities**" means, for any Lender and at any time, such Lender's ratable participation in the sum of (x) the amounts then owing by each Borrower in respect of amounts drawn under Letters of Credit and (y) the aggregate amount then available for drawing under all Letters of Credit.

"**Letter of Credit Sublimit**" means a Dollar Amount equal to $100,000,000.

"**LIBOR Auction**" means a solicitation of Competitive Bid Quotes setting forth Competitive Bid Margins based on the London Interbank Offered Rate pursuant to Section 2.03.

"**Lien**" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset. For the purposes of this Agreement, the Company or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"**Loan**" means a Base Rate Loan, a Euro−Currency Loan or a Competitive Bid Loan and "**Loans**" means Base Rate Loans, Euro−Currency Loans or Competitive Bid Loans or any combination of the foregoing.

"**London Interbank Offered Rate**" has the meaning set forth in Section 2.07(b).

"**Material Adverse Effect**" means a material adverse effect on the business, financial position or results of operations of the Company and its Consolidated Subsidiaries, taken as a whole.

"**Material Debt**" means Debt (other than the Loans) of the Company and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal or face amount exceeding $50,000,000.

"**Material Financial Obligations**" means a principal or face amount of Debt and/or payment or collateralization obligations in respect of Derivatives Obligations of the Company and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, exceeding in the aggregate $50,000,000.

"**Material Plan**" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of $50,000,000.

"**Multiemployer Plan**" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of

the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"**Notes**" means promissory notes of a Borrower, substantially in the form of Exhibit A hereto, evidencing the obligation of such Borrower to repay the Loans made to it, and "**Note**" means any one of such promissory notes issued hereunder.

"**Notice of Borrowing**" means a Notice of Committed Borrowing (as defined in Section 2.02) or a Notice of Competitive Bid Borrowing (as defined in Section 2.03(f)).

"**Notice of Interest Rate Election**" has the meaning set forth in Section 2.10.

"**Notice of Issuance**" has the meaning set forth in Section 2.19.

"**Obligors**" means the Borrowers and the Guarantors, and "**Obligor**" means any one of the Borrowers and the Guarantors.

"**Outstanding Committed Amount**" means, as to any Lender at any time, the sum at such time, without duplication, of (i) the aggregate principal amount of the outstanding Committed Dollar Loans of such Lender at such time, (ii) the aggregate Dollar Amount of the aggregate principal amount of the outstanding Committed Alternative Currency Loans of such Lender at such time and (iii) the aggregate Dollar Amount of such Lender's Letter of Credit Liabilities at such time.

"**Parent**" means, with respect to any Lender, any Person controlling such Lender.

"**Participant**" has the meaning set forth in Section 10.06(b).

"**Participating Member State**" means any member state of the European Community that adopts or has adopted the Euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union.

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

"**Person**" means an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"**Plan**" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"**Pricing Schedule**" means the Pricing Schedule attached hereto.

"**Prime Rate**" means the rate of interest publicly announced by JPMorgan Chase Bank, N.A. at its Principal Office from time to time as its prime rate. Each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"**Principal Office**" shall mean the principal office of JPMorgan Chase Bank, N.A., presently located at 270 Park Avenue, New York, New York 10017.

"**Proxy Statement**" means the Proxy Statement of the Company for the Annual Meeting of Stockholders dated as of September 29, 2006.

"**Quarterly Date**" means each March 31, June 30, September 30 and December 31.

"**Rate Fixing Date**" means, with respect to any Interest Period, the day on which quotes for deposits in the relevant currency for such Interest Period are customarily taken in the London interbank market for delivery on the first day of such Interest Period.

"**Reference Banks**" means the principal London offices of JPMorgan Chase Bank, N.A. and one or more Lenders selected by the Administrative Agent from time to time.

"**Regulation U**" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"**Reimbursement Obligation**" has the meaning set forth in Section 2.19(d).

"**Required Lenders**" means at any time Lenders having in excess of 50% of the aggregate amount of the Commitments or, if the Commitments shall have been terminated, holding more than 50% of the Total Outstanding Amount.

"**Revolving Credit Period**" means the period from and including the Effective Date to but not including the earlier of the Termination Date and the date of termination of the Commitments.

"**Senior Officer**" means, with respect to any Person, the chief executive officer, the chief operating officer, the president, the chief financial officer, the general counsel, the chief accounting officer or the treasurer of such Person (or in any case persons having substantially similar responsibilities regardless of title).

"**Significant Subsidiary**" means at any time a Subsidiary that as at that time would be a "significant subsidiary" as defined in Rule 1−02 of Regulation S−X promulgated by the Securities and Exchange Commission as in effect on the date hereof; *provided* that the Company Guarantor and each Eligible Subsidiary shall always be deemed to be a Significant Subsidiary.

"**SPC**" has the meaning specified in Section 10.06(f).

"**Sterling**" means the lawful currency of the United Kingdom.

"**Subsidiary**" means, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person; unless otherwise specified, "Subsidiary" means a Subsidiary of the Company.

"**Swiss Francs**" means the lawful currency of the Swiss Confederation.

"**Termination Date**" means April 26, 2012, or, if such day is not a Euro−Dollar Business Day, the next preceding Euro−Dollar Business Day.

"**Total Outstanding Amount**" means, at any time, the aggregate Dollar Amount of all Loans outstanding at such time plus the aggregate Dollar Amount of the Letter of Credit Liabilities of all Lenders at such time.

"**Unfunded Liabilities**" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"**United States**" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"**Wholly−Owned Consolidated Subsidiary**" means any Consolidated Subsidiary all of the shares of capital stock or other ownership interests of which (except for qualifying shares held by directors or foreign nationals in accordance

with applicable law) are at the time directly or indirectly owned by the Company or one or more other Wholly−Owned Consolidated Subsidiaries.

"**Yen**" means the lawful currency of Japan.

Section 1.02. *Accounting Terms and Determinations.* Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP, applied on a basis consistent (except for changes concurred in by the Company's independent public accountants) with the most recent audited consolidated financial statements of the Company and its Consolidated Subsidiaries delivered to the Lenders; *provided* that, if the Company notifies the Administrative Agent that the Company wishes to amend any covenant in Article 5 to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Company that the Required Lenders wish to amend Article 5 for such purpose), then the Company's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Company and the Required Lenders.

Section 1.03. *Types of Borrowing.* The term "**Borrowing**" denotes the aggregation of Loans of one or more Lenders to be made to a single Borrower pursuant to Article 2 on the same date, all of which Loans are of the same type and currency (subject to Article 8) and, except in the case of Base Rate Loans, have the same initial Interest Period. Borrowings are classified for purposes of this Agreement either (a) by reference to the currency and/or pricing of Loans comprising such Borrowing (e.g., a "Fixed Rate Borrowing" is a Euro−Currency Borrowing or a Competitive Bid Borrowing (excluding any such Borrowing consisting of Competitive Bid LIBOR Loans bearing interest at the Base Rate pursuant to Section 8.01), and a "Euro−Currency Borrowing" is a Borrowing comprised of Euro−Currency Loans), or (b) by reference to the provisions of Article 2 under which participation therein is determined (*i.e.*, a "Committed Borrowing" is a Borrowing under Section 2.01 in which all Lenders participate in proportion to their Commitments, while a "Competitive Bid Borrowing" is a Borrowing under Section 2.03 in which the Lender participants are determined on the basis of their bids in accordance therewith).

ARTICLE 2
THE CREDITS

Section 2.01. *Commitments To Lend.* (a) During the Revolving Credit Period, each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Loans denominated in Dollars or in an Alternative Currency

to any Borrower pursuant to this Section 2.01(a) from time to time in amounts such that (i) such Lender's Outstanding Committed Amount shall not exceed the amount of its Commitment, (ii) the Total Outstanding Amount shall not exceed the aggregate amount of the Commitments and (iii) the sum of the aggregate Dollar Amount of the aggregate principal amount of all outstanding Committed Alternative Currency Loans plus the aggregate Dollar Amount of the aggregate Letter of Credit Liabilities for Letters of Credit in an Alternative Currency shall not exceed the Alternative Currency Sublimit. Each Borrowing under this Section 2.01(a) shall be (x) in the case of a Dollar−Denominated Borrowing, in a minimum aggregate Dollar Amount of $20,000,000 and any larger multiple of $1,000,000 and (y) in the case of an Alternative Currency Borrowing, in a minimum aggregate Dollar Amount of $5,000,000 and in integral multiples of 500,000 units of the applicable Alternative Currency (except that any such Borrowing may be in the aggregate amount available in accordance with this Section 2.01(a) and Section 3.02) and shall be made from the several Lenders ratably in proportion to their respective Available Commitments.

(b) Within the foregoing limits, any Borrower may borrow under this Section, repay, or to the extent permitted by Section 2.12, prepay Loans and reborrow at any time during the Revolving Credit Period under this Section.

Section 2.02. *Notice of Committed Borrowing.* A Borrower shall give the Applicable Agent notice (a "**Notice of Committed Borrowing**") not later than 10:30 A.M. (New York City time)(or 10:30 A.M. (London time) in the case of Alternative Currency Borrowing) on (x) the date of each Base Rate Borrowing, (y) the third Euro−Dollar Business Day before each Euro−Dollar Borrowing and (z) the third Euro−Currency Business Day before (or, solely in the case of Alternative Currency Borrowings denominated in Sterling, telephonic notice (such telephonic notice to be confirmed promptly in writing) not later than 5:00 A.M. (New York City time) on the Euro−Currency Business Day of) each Alternative Currency Borrowing, specifying:

(i) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Base Rate Borrowing or a Euro−Currency Business Day in the case of a Euro−Currency Borrowing;

(ii) the currency and the aggregate amount in the relevant currency and the Dollar Amount of such Borrowing; *provided* that if no currency is specified with respect to any requested Borrowing, then the Borrower shall be deemed to have selected Dollars;

(iii) in the case of Committed Dollar Loans, whether the Loans comprising such Borrowing are to bear interest initially at the Base Rate or a Euro−Currency Rate; and

(iv) in the case of a Euro−Currency Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period, and, in the case of an Alternative Currency Borrowing, the location from which payments of the principal and interest on such Alternative Currency Borrowing will be made, which will comply with the requirements of Section 2.14.

Section 2.03. *Competitive Bid Borrowings.* (a) The Competitive Bid Option. In addition to Committed Borrowings pursuant to Section 2.01, any Borrower may, as set forth in this Section, request the Lenders during the Revolving Credit Period to make offers to make Competitive Bid Loans to such Borrower. The Lenders may, but shall have no obligation to, make such offers and a Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in this Section.

(b) Competitive Bid Quote Request. When a Borrower wishes to request offers to make Competitive Bid Loans under this Section, it shall transmit to the Administrative Agent by telex or facsimile transmission a Competitive Bid Quote Request substantially in the form of Exhibit B hereto so as to be received not later than 10:30 A.M. (New York City time)(or 10:30 A.M. (London time) in the case of a proposed Alternative Currency Borrowing) on (x) the fourth Euro−Dollar Business Day prior to the date of Borrowing proposed therein (or in the case of an Alternative Currency Borrowing, the fourth Eurocurrency Business Day), in the case of a LIBOR Auction or (y) the Business Day prior to the date of Borrowing proposed therein, in the case of an Absolute Rate Auction (or, in either case, such other time or date as such Borrower and the Administrative Agent shall have mutually agreed and shall have notified to the Lenders not later than the date of the Competitive Bid Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective) specifying:

(i) the proposed date of Borrowing, which shall be a Euro−Dollar Business Day (or in the case of an Alternative Currency Borrowing, a Eurocurrency Business Day) in the case of a LIBOR Auction or a Domestic Business Day in the case of an Absolute Rate Auction in dollars,

(ii) the proposed currency of such Borrowing,

(iii) the aggregate amount of such Borrowing, which shall be (x) in the case of a Dollar−Denominated Borrowing, in a minimum aggregate Dollar Amount of $20,000,000 and any larger multiple of $1,000,000 and (y) in the case of an Alternative Currency Borrowing, in a minimum aggregate Dollar Amount of $5,000,000 and in integral multiples of 500,000 units of the applicable Alternative Currency,

(iv) the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period, and

(v) whether the Competitive Bid Quotes requested are to set forth a Competitive Bid Margin or a Competitive Bid Absolute Rate.

A Borrower may request offers to make Competitive Bid Loans for more than one Interest Period in a single Competitive Bid Quote Request. No Competitive Bid Quote Request shall be given within four Euro−Dollar Business Days (or such other number of days as the applicable Borrower and the Administrative Agent may agree) of any other Competitive Bid Quote Request.

(c) Invitation for Competitive Bid Quotes. Promptly upon receipt of a Competitive Bid Quote Request, the Administrative Agent shall send to the Lenders by telex or facsimile transmission an Invitation for Competitive Bid Quotes substantially in the form of Exhibit C hereto, which shall constitute an invitation by the applicable Borrower to each Lender to submit Competitive Bid Quotes offering to make the Competitive Bid Loans to which such Competitive Bid Quote Request relates in accordance with this Section.

(d) Submission and Contents of Competitive Bid Quotes. (i) Each Lender may submit a Competitive Bid Quote containing an offer or offers to make Competitive Bid Loans in response to any Invitation for Competitive Bid Quotes. Each Competitive Bid Quote must comply with the requirements of this subsection (d) and must be submitted to the Administrative Agent by telex or facsimile transmission at its offices specified in or pursuant to Section 10.01 not later than (x) 9:30 A.M. (New York City time)(or 9:30 A.M. (London time) in the case of an Alternative Currency Borrowing) on the third Euro−Dollar Business Day prior to the proposed date of Borrowing (or in the case of an Alternative Currency Borrowing, the third Eurocurrency Business Day), in the case of a LIBOR Auction or (y) 9:30 A.M. (New York City time) (or 9:30 A.M. (London time) in the case of an Alternative Currency Borrowing) on the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the applicable Borrower and the Administrative Agent shall have mutually agreed and shall have notified to the Lenders not later than the date of the Competitive Bid Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective); *provided* that Competitive Bid Quotes submitted by the Administrative Agent (or any affiliate of the Administrative Agent) in the capacity of a Lender may be submitted, and may only be submitted, if the Administrative Agent or such affiliate notifies the Borrower of the terms of the offer or offers contained therein not later than (x) one hour prior to the deadline for the other Lenders, in the case of a LIBOR Auction or (y) 15 minutes prior to the deadline for the other Lenders, in the case of an Absolute Rate Auction. Subject to Articles 3 and 6, any Competitive Bid Quote so made shall be irrevocable except with the written consent of the Administrative Agent given on the instructions of the applicable Borrower.

(ii) Each Competitive Bid Quote shall be substantially in the form of Exhibit D hereto and shall in any case specify:

(A) the proposed date of Borrowing,

(B) the principal amount of the Competitive Bid Loan for which each such offer is being made, which principal amount (w) may be greater than or less than the Commitment of the quoting Lender, (x) must be (1) in the case of a Dollar−Denominated Borrowing, $5,000,000 or a larger multiple of $1,000,000 and (2) in the case of an Alternative Currency Borrowing, $500,000 or an integral multiple of 500,000 units of the applicable Alternative Currency, (y) may not exceed the principal amount of Competitive Bid Loans for which offers were requested and (z) may be subject to an aggregate limitation as to the principal amount of Competitive Bid Loans for which offers being made by such quoting Lender may be accepted,

(C) in the case of a LIBOR Auction, the margin above or below the applicable London Interbank Offered Rate (the "**Competitive Bid Margin**") offered for each such Competitive Bid Loan, expressed as a percentage (specified to the nearest 1/10,000th of 1%) to be added to or subtracted from such base rate,

(D) in the case of an Absolute Rate Auction, the rate of interest per annum (specified to the nearest 1/10,000th of 1%) (the "**Competitive Bid Absolute Rate**") offered for each such Competitive Bid Loan, and

(E) the identity of the quoting Lender.

A Competitive Bid Quote may set forth up to five separate offers by the quoting Lender with respect to each Interest Period specified in the related Invitation for Competitive Bid Quotes.

(iii) Any Competitive Bid Quote shall be disregarded if it:

(A) is not substantially in conformity with Exhibit D hereto or does not specify all of the information required by subsection (d)(ii) above;

(B) contains qualifying, conditional or similar language;

(C) proposes terms other than or in addition to those set forth in the applicable Invitation for Competitive Bid Quotes; or

(D) arrives after the time set forth in subsection (d)(i).

(e) Notice to Borrower. The Administrative Agent shall promptly notify the applicable Borrower of the terms (x) of any Competitive Bid Quote submitted by a Lender that is in accordance with subsection (d) and (y) of any Competitive Bid Quote that amends, modifies or is otherwise inconsistent with a previous Competitive Bid Quote submitted by such Lender with respect to the same Competitive Bid Quote Request. Any such subsequent Competitive Bid Quote shall be disregarded by the Administrative Agent unless such subsequent Competitive Bid Quote is submitted solely to correct a manifest error in such former Competitive Bid Quote. The Administrative Agent's notice to the applicable Borrower shall specify (A) the aggregate principal amount of Competitive Bid Loans for which offers have been received for each Interest Period specified in the related Competitive Bid Quote Request, (B) the respective principal amounts and Competitive Bid Margins or Competitive Bid Absolute Rates, as the case may be, so offered and (C) if applicable, limitations on the aggregate principal amount of Competitive Bid Loans for which offers in any single Competitive Bid Quote may be accepted.

(f) Acceptance and Notice by Borrower. Not later than 10:30 A.M. (New York City time) (or 10:30 A.M. (London time) in the case of an Alternative Currency Borrowing) on (x) the third Euro−Dollar Business Day prior to the proposed date of Borrowing (or in the case of an Alternative Currency Borrowing, the third Eurocurrency Business Day), in the case of a LIBOR Auction or (y) the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Borrower and the Administrative Agent shall have mutually agreed and shall have notified to the Lenders not later than the date of the Competitive Bid Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective), the applicable Borrower shall notify the Administrative Agent of its acceptance or non−acceptance of the offers so notified to it pursuant to subsection (e). In the case of acceptance, such notice (a "**Notice of Competitive Bid Borrowing**") shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The applicable Borrower may accept any Competitive Bid Quote in whole or in part; *provided* that:

(i) the aggregate principal amount of each Competitive Bid Borrowing may not exceed the applicable amount set forth in the related Competitive Bid Quote Request;

(ii) the principal amount of each Competitive Bid Borrowing must be (x) in the case of a Dollar−Denominated Borrowing, in a minimum aggregate Dollar Amount of $20,000,000 and any larger multiple of $1,000,000 and (y) in the case of an Alternative Currency Borrowing, in a minimum aggregate Dollar Amount of $5,000,000 and in integral multiples of 500,000 units of the applicable Alternative Currency;

(iii) acceptance of offers may only be made on the basis of ascending Competitive Bid Margins or Competitive Bid Absolute Rates, as the case may be; and

(iv) the applicable Borrower may not accept any offer that is described in subsection (d)(iii) or that otherwise fails to comply with the requirements of this Agreement.

(g) Allocation by Administrative Agent. If offers are made by two or more Lenders with the same Competitive Bid Margins or Competitive Bid Absolute Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which such offers are accepted for the related Interest Period, the principal amount of Competitive Bid Loans in respect of which such offers are accepted shall be allocated by the Administrative Agent among such Lenders as nearly as possible (as the Administrative Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. Determinations by the Administrative Agent of the amounts of Competitive Bid Loans shall be conclusive in the absence of manifest error.

Section 2.04. *Notice To Lenders; Funding of Loans.* (a) Upon receipt of a Notice of Borrowing, the Applicable Agent shall promptly notify each Lender of the contents thereof and of such Lender's share (if any) of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the applicable Borrower.

(b) On the date of each Borrowing, each Lender participating therein shall (except as provided in subsection (c) of this Section):

(1) if such Borrowing is to be made in dollars, make available its share of such Borrowing in dollars not later than 12:00 Noon (New York City time), in Federal or other funds immediately available in New York City, to the Administrative Agent at its office specified in or pursuant to Section 10.01; or

(2) if such Borrowing is to be made in an Alternative Currency, make available its share of such Borrowing in such Alternative Currency (in such funds as may then be customary for the settlement of international transactions in such Alternative Currency) to the account of the Applicable Agent at such time and place as shall have been notified by the Applicable Agent to the Lenders by at least three Euro−Currency Business Days' notice (or, solely in the case of such Borrowing denominated in Sterling, by telephonic notice on the Euro−Currency Business Day of the date of such Borrowing, such notice to be promptly confirmed in writing).

(c) Unless the Applicable Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Applicable Agent such Lender's share of such Borrowing, the Applicable Agent may assume that such Lender has made such share available to the Applicable Agent on the date of such Borrowing in accordance with subsection (b) of this Section and the Applicable Agent may, in reliance upon such assumption, make available to the applicable Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such share available to the Applicable Agent, such Lender and the applicable Borrower severally agree to repay to the Applicable Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the applicable Borrower until the date such amount is repaid to the Applicable Agent, at (i) in the case of the applicable Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.07 and (ii) in the case of such Lender, the Federal Funds Rate (if such Borrowing is in dollars) or the applicable London Interbank Offered Rate (if such Borrowing is in an Alternative Currency). If such Lender shall repay to the Applicable Agent such corresponding amount, such amount so repaid shall constitute such Lender's Loan included in such Borrowing for purposes of this Agreement.

(d) Each Lender may, at its option, make any Loan available to a Borrower that is organized under the laws of a jurisdiction other than of the United States or a political subdivision thereof by causing any foreign or domestic branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of such Borrower to repay such Loan in accordance with the terms of this Agreement

Section 2.05. *Evidence Of Debt.* (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender by such Borrower from time to time hereunder.

(b) The Administrative Agent shall maintain accounts in which it shall record (i) the Dollar Amount of each Loan made to a Borrower hereunder, the class, type and, in the case of any Committed Alternative Currency Loans, currency thereof and the Interest Period (if any) applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(c) The entries made in the accounts maintained pursuant to paragraph (a) or (b) of this Section shall be *prima facie* evidence of the existence and amounts of the obligations recorded therein; *provided* that the failure of any

Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of each Borrower to repay the Lenders in accordance with the terms of this Agreement.

(d) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the applicable Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) substantially in the form of Exhibit A hereto. Thereafter, the Loans evidenced by each such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 10.06) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns). Each reference in this Agreement to the "**Note**" of such Lender shall be deemed to refer to and include any or all of such Notes.

Section 2.06. *Maturity of Loans.* (a) Each Committed Loan shall mature, and the principal amount thereof shall be due and payable, together with accrued interest thereon, on the Termination Date.

(b) Each Competitive Bid Loan shall mature, and the principal amount thereof shall be due and payable, together with accrued interest thereon, on the last day of the Interest Period applicable to such Loan.

Section 2.07. *Interest Rates.* (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day. Such interest shall be payable quarterly in arrears on each Quarterly Date and, with respect to the principal amount of any Base Rate Loan converted to a Euro−Dollar Loan, on each date a Base Rate Loan is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate otherwise applicable to Base Rate Loans for such day.

(b) Each Euro−Currency Loan shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro−Currency Margin plus the London Interbank Offered Rate applicable to such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day of such Interest Period.

The "**London Interbank Offered Rate**" applicable to any Interest Period means the rate appearing on "Page BBAM 1" on the Bloomberg Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently

provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in the relevant currency in the London interbank market) at approximately 11:00 a.m., London time, two Business Days before the beginning (or, solely in the case of Borrowings denominated in Sterling, on the first day) of such Interest Period, as the rate for deposits in the relevant currency with a maturity comparable to such Interest Period. If such rate is not available at such time for any reason, then the "**London Interbank Offered Rate**" with respect to such Interest Period shall be the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which deposits in the relevant currency are offered to each of the Reference Banks in the London interbank market at approximately 11:00 A.M. (London time) on the Rate Fixing Date in an amount approximately equal to the principal amount of the Euro−Currency Loan of such Reference Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

(c) Any overdue principal of or interest on any Euro−Currency Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the higher of (i) the sum of 2% plus the Euro−Currency Margin plus the London Interbank Offered Rate applicable to the Interest Period for such Loan and (ii) the sum of 2% plus the Euro−Currency Margin plus the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which one day (or, if such amount due remains unpaid more than three Euro−Currency Business Days, then for such other period of time not longer than three months as the Administrative Agent may select) deposits in the relevant currency in an amount approximately equal to such overdue payment due to each of the Reference Banks are offered to such Reference Bank in the London interbank market for the applicable period determined as provided above (or, if the circumstances described in clause (a) or (b) of Section 8.01 shall exist, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day).

(d) Subject to Section 8.01, each Competitive Bid LIBOR Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the London Interbank Offered Rate for such Interest Period (determined in accordance with Section 2.07(b) as if the related Competitive Bid LIBOR Borrowing were a Committed Euro−Dollar Borrowing) plus (or minus) the Competitive Bid Margin quoted by the Lender making such Loan in accordance with Section 2.03. Each Competitive Bid Absolute Rate Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the Competitive Bid Absolute Rate quoted by the Lender making such Loan in accordance with Section 2.03. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof.

(e) Any overdue principal of or interest on any Competitive Bid Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the Base Rate for such day.

(f) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the applicable Borrower and the participating Lenders of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(g) Each Reference Bank agrees to use its best efforts to furnish quotations to the Administrative Agent as contemplated by this Section. If any Reference Bank does not furnish a timely quotation, the Administrative Agent shall determine the relevant interest rate on the basis of the quotation or quotations furnished by the remaining Reference Bank or Banks or, if none of such quotations is available on a timely basis, the provisions of Section 8.01 shall apply.

Section 2.08. *Fees.* (a) The Company shall pay to the Administrative Agent for the account of the Lenders ratably a facility fee (the "**Facility Fee**"), which shall accrue at the Facility Fee Rate (i) from and including the Effective Date to but excluding the date of termination of the Commitments in their entirety, on the average daily aggregate amount of the Commitments (whether used or unused) and (ii) from and including such date of termination to but excluding the date the Loans shall be repaid in their entirety, on the average daily aggregate outstanding principal Dollar Amount of the Loans.

(b) The Company shall pay to the Administrative Agent (i) for the account of the Lenders ratably a letter of credit fee in Dollars accruing daily on the aggregate Dollar Amount of all outstanding Letters of Credit at the Letter of Credit Fee Rate (determined daily in accordance with the Pricing Schedule) and (ii) for the account of the Issuing Lender a letter of credit fronting fee accruing daily on the aggregate Dollar Amount of all Letters of Credit issued by the Issuing Lender at a rate per annum mutually agreed from time to time by the Company and the Issuing Lender. The Company shall also pay to the Issuing Lender for its own account issuance, drawing, amendment and extension charges in the amounts and at the times as agreed between the Company and the Issuing Lender.

(c) Accrued fees under this Section shall be payable quarterly in arrears on each Quarterly Date and on the date of termination of the Commitments in their entirety (and, in the case of clause (a), if later, the date the Loans shall be repaid in their entirety and, in the case of clause (b), if later, the date on which all Letters of Credit shall have been terminated).

Section 2.09. *Optional Termination or Reduction of Commitments.* During the Revolving Credit Period, the Company may, upon at least three

Domestic Business Days' notice to the Administrative Agent, (i) terminate the Commitments at any time, if no Loans or Letter of Credit Liabilities are outstanding at such time or (ii) ratably reduce from time to time by an aggregate amount of $20,000,000 or a larger multiple of $1,000,000, the aggregate amount of the Commitments in excess of the Total Outstanding Amount.

Section 2.10. *Method of Electing Interest Rates.* (a) The Committed Dollar Loans included in each Committed Borrowing shall bear interest initially at the type of rate specified by the applicable Borrower in the applicable Notice of Committed Dollar Borrowing. Thereafter, the applicable Borrower may from time to time elect to change or continue the type of interest rate borne by each Group of Committed Dollar Loans (subject in each case to Section 2.07(c) and the provisions of Article 8 and the last sentence of this subsection (a)), as follows:

(i) if such Loans are Base Rate Loans, the applicable Borrower may elect to convert such Loans to Euro−Dollar Loans as of any Euro−Dollar Business Day; and

(ii) if such Loans are Euro−Dollar Loans, the applicable Borrower may elect to convert such Loans to Base Rate Loans as of any Domestic Business Day, or elect to continue such Loans as Euro−Dollar Loans for an additional Interest Period as of any Euro−Dollar Business Day, subject to Section 2.15 in the case of any such conversion or continuation effective on any day other than the last day of the then current Interest Period applicable to such Loans.

Each such election shall be made by delivering a notice (a "**Notice of Interest Rate Election**") to the Administrative Agent not later than 10:00 A.M. (New York City time) on the third Euro−Dollar Business Day (or in the case of an Alternative Currency Borrowing, the third Eurocurrency Business Day) before the conversion or continuation selected in such notice is to be effective. A Notice of Interest Rate Election may, if it so specifies, apply to only a portion of the aggregate principal Dollar Amount of the relevant Group of Loans; *provided* that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such Notice applies, and the remaining portion to which it does not apply, are each (x) in the case of a Dollar−Denominated Borrowing, $20,000,000 or any larger multiple of $1,000,000 and (y) in the case of an Alternative Currency Borrowing, $5,000,000 or an integral multiple of 500,000 units of the applicable Alternative Currency. If no Notice of Interest Rate Election is timely delivered prior to the end of an Interest Period for any Euro−Dollar Loan, the Borrower shall be deemed to have elected that all Loans having such Interest Period shall be converted to Base Rate Loans effective as of the last day of such Interest Period.

(b) Each Notice of Interest Rate Election shall specify:

(i) the Group of Loans (or portion thereof) to which such notice applies;

(ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of subsection (a) above;

(iii) if the Loans comprising such Group are to be converted, the new type of Loans and, if the Loans being converted are to be Euro−Dollar Loans, the duration of the next succeeding Interest Period applicable thereto; *provided* that, if at the time such notice is delivered an Event of Default has occurred and is continuing, the duration of the Interest Period with respect to any Euro−Dollar Loans to which such notice applies shall be one month; and

(iv) if such Loans are to be continued as Euro−Dollar Loans for an additional Interest Period, the duration of such additional Interest Period; *provided* that, if at the time such notice is delivered an Event of Default has occurred and is continuing, the duration of the Interest Period with respect to any Euro−Dollar Loans to which such notice applies shall be one month.

Each Interest Period specified in a Notice of Interest Rate Election shall comply with the provisions of the definition of Interest Period.

(c) Upon receipt of a Notice of Interest Rate Election from the applicable Borrower pursuant to subsection (a) above, the Administrative Agent shall promptly notify each Lender of the contents thereof and such notice shall not thereafter be revocable by such Borrower.

(d) A Borrower shall not be entitled to elect to convert any Committed Dollar Loans to, or continue any Committed Dollar Loans for an additional Interest Period as, Euro−Dollar Loans, in each case made to it, if a Default shall have occurred and be continuing when such Borrower delivers notice of such election to the Administrative Agent.

(e) An election by any Borrower to change or continue the rate of interest applicable to any Group of Loans pursuant to this Section shall not constitute a "**Borrowing**" subject to the provisions of Section 3.02.

(f) The initial Interest Period for each Group of Committed Alternative Currency Loans shall be specified by the applicable Borrower in the applicable Notice of Borrowing. The applicable Borrower may specify the duration of each subsequent Interest Period applicable to such Group of Loans by delivering to the Administrative Agent, not later than 10:30 A.M. (London time) on the third Euro−Currency Business Day before the end of the immediately preceding Interest

Period, a notice specifying the Group of Loans to which such notice applies and the duration of such subsequent Interest Period (which shall comply with the provisions of the definition of Interest Period). Such notice may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans; *provided* that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the Dollar Amounts of the portion to which such notice applies, and the remaining portion to which it does not apply, are each at least $5,000,000 and shall be in integral multiples of 500,000 units of the relevant Alternative Currency. If no such notice is timely received by the Administrative Agent before the end of any applicable Interest Period, the applicable Borrower shall be deemed to have elected that the subsequent Interest Period for such Group of Loans shall have a duration of one month (subject to the provisions of the definition of Interest Period).

Section 2.11. *Mandatory Termination of Commitments.* Unless previously terminated, the Commitments shall terminate on the Termination Date and any Loans then outstanding (together with accrued interest thereon) shall be due and payable on such date.

Section 2.12. *Optional Prepayments.* (a) Subject in the case of any Fixed Rate Borrowing to Section 2.15, each Borrower may, upon at least one Domestic Business Day's notice to the Administrative Agent, prepay any Base Rate Borrowing (or any Competitive Bid Borrowing bearing interest at the Base Rate pursuant to Section 8.01) made to it or upon at least three Euro−Currency Business Days' notice to the Administrative Agent and the Applicable Agent (if different), prepay any Euro−Currency Borrowing made to it, in each case in whole at any time, or from time to time in part in an aggregate Dollar Amount not less than $20,000,000 or in the case of any Loan denominated in dollars, any larger multiple of $1,000,000, or in the case of any Committed Alternative Currency Loan in an aggregate Dollar Amount not less than $5,000,000 or any larger integral multiple of 500,000 units of the relevant Alternative Currency, by paying (in the relevant currency) the principal Dollar Amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Lenders included in such Borrowing.

(b) A Borrower may not prepay all or any portion of the principal amount of any Competitive Bid Loan made to it prior to the maturity thereof except (i) as provided in subsection (a) above or (ii) with respect to any particular Competitive Bid Loan, as agreed upon between the Lender making such Loan and such Borrower so long as at the time such Borrower makes such prepayment no Default has occurred and is continuing.

(c) Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Lender of the contents thereof

and of such Lender's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the applicable Borrower.

Section 2.13. *Determining Dollar Amounts of Committed Alternative Currency Loans; Related Mandatory Prepayments.* (a) The Administrative Agent shall determine the Dollar Amount of each Committed Alternative Currency Loan promptly after it receives the related Notice of Committed Borrowing, based on the Exchange Rate on the third Euro−Currency Business Day before (or, solely in the case of Alternative Currency Borrowings denominated in Sterling, on) the date of Borrowing specified in such notice. Thereafter, the Administrative Agent shall redetermine the Dollar Amount of each Committed Alternative Currency Loan on the last Euro−Currency Business Day of each calendar month while such Loan remains outstanding, based in each case on the Exchange Rate on such Euro−Currency Business Day. The Administrative Agent shall promptly notify the applicable Borrower and the participating Lenders of each Dollar Amount so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(b) The Administrative Agent shall determine the Dollar Amount of the Letter of Credit Liabilities related to each Letter of Credit promptly after it receives the related Notice of Issuance, based on the Exchange Rate on the third Euro−Currency Business Day before (or, solely in the case of a Letter of Credit denominated in Sterling, on) the date of issuance specified in such notice. Thereafter, the Administrative Agent shall redetermine the Dollar Amount of each Letter of Credit on the last Euro−Currency Business Day of each calendar month while such Letter of Credit remains outstanding, based in each case on the Exchange Rate on such Euro−Currency Business Day. The Administrative Agent shall promptly notify the applicable Borrower and the participating Lenders of each Dollar Amount so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(c) If, (i) on the last day of any Interest Period for any Borrowing, the Total Outstanding Amount at such time exceeds the aggregate amount of Commitments, the relevant Borrower shall, on such day, prepay Committed Loans included in such Borrowing in an amount equal to the lesser of (x) such excess and (y) the amount of such Borrowing and (ii) on the last day of any Interest Period for any Committed Alternative Currency Borrowing, the Dollar Amount of the aggregate principal amount of outstanding Alternative Currency Loans exceeds the Alternative Currency Sublimit, the relevant Borrower shall, on such date, prepay Committed Alternative Currency Loans included in such Borrowing in an amount equal to the lesser of (x) such excess and (y) the amount of such Borrowing.

(d) If, on the last Euro−Currency Business Day of any calendar month, after any redetermination of the Dollar Amounts pursuant to Section 2.13(a), the Total Outstanding Amount at such time exceeds 105% of the aggregate amount of

Commitments, then the Borrowers shall, on the last Euro−Currency Business Day of the next calendar month (the "**Prepayment Date**"), prepay one or more Groups of Borrowings in an aggregate principal amount equal to the excess, if any, of the Total Outstanding Amount as of such Prepayment Date over the then outstanding Commitments.

(e) If, on the last Euro−Currency Business Day of any calendar month, after any redetermination of the Dollar Amounts pursuant to Section 2.13(a), the aggregate Dollar Amount of the aggregate Committed Alternative Currency Loans exceeds 105% of the Alternative Currency Sublimit, then the Borrowers shall, on the Prepayment Date, prepay one or more Groups of Borrowings in an aggregate principal amount equal to the excess, if any, of the aggregate Dollar Amount of the aggregate Committed Alternative Currency Loans as of such Prepayment Date over the Alternative Currency Sublimit.

Section 2.14. *General Provisions as to Payments.* (a) Each Borrower shall make each payment of principal of, and interest on, the Loans and Letter of Credit Liabilities denominated in Dollars and of fees hereunder, not later than 12:00 Noon (New York City time) on the date when due, in Federal or other funds immediately available in New York City, without defense, set−off or counterclaim and free of any restriction or condition, to the Administrative Agent at its address referred to in Section 10.01. Each Borrower shall make each payment of principal of, and interest on, the Committed Alternative Currency Loans in the relevant Alternative Currency in such funds as may then be customary for the settlement of international transactions in such Alternative Currency, to such account and at such time and at such place as shall have been notified by the Applicable Agent to such Borrower and the Lenders by at least three Euro−Currency Business Days' notice (or, solely in the case of Alternative Currency Borrowings denominated in Sterling, by at least one Euro−Currency Business Days' notice). The Borrower may specify in any notice delivered to the Administrative Agent and the Applicable Agent with respect to any Alternative Currency, one or more locations from which such Borrower may make payments of principal or of interest on any Committed Alternative Currency Loan in such Alternative Currency; *provided* that the Administrative Agent approve such location. The Applicable Agent will promptly distribute to each Lender its ratable share of each such payment received by the Administrative Agent for the account of the Lenders. Whenever any payment of principal of, or interest on, the Base Rate Loans, Letter of Credit Liabilities denominated in Dollars or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, the Euro−Currency Loans shall be due on a day which is not a Euro−Currency Business Day, the date for payment thereof shall be extended to the next succeeding Euro−Currency Business Day unless such Euro−Currency Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro−Currency Business

Day. Whenever any payment of principal of, or interest on, the Competitive Bid Loans shall be due on a day which is not a Euro−Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro−Dollar Business Day. Whenever any payment of principal of or interest on Letter of Credit Liabilities denominated in an Alternative Currency shall be due on a day which is not a Euro−Currency Business Day, the date for payment thereof shall be extended to the next succeeding Euro−Currency Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Administrative Agent shall have received notice from a Borrower prior to the date on which any payment is due to the Lenders hereunder that such Borrower will not make such payment in full, the Administrative Agent may assume that such Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that such Borrower shall not have so made such payment, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate (if such amount was distributed in dollars) or (ii) the rate per annum at which one−day deposits in the relevant currency are offered to the Administrative Agent in the London interbank market for such day (if such amount was distributed in an Alternative Currency).

Section 2.15. *Funding Losses.* If a Borrower makes any payment of principal with respect to any Fixed Rate Loan, any Fixed Rate Loan is converted (pursuant to Article 2, 6 or 8 or otherwise) or continued on any day other than the last day of an Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.07(c), or if any Committed Alternative Currency Loan is converted to a Loan denominated in dollars pursuant to Article 8, or if a Borrower fails to borrow, prepay, convert or continue any Fixed Rate Loans after notice has been given to any Lender in accordance with Section 2.04(a), 2.12(a) or Section 2.10, respectively, such Borrower shall reimburse each Lender within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such prepayment or conversion or continuation or failure to borrow, prepay, convert or continue; *provided* that such Lender shall have delivered to such Borrower and the Administrative Agent a certificate as to the amount of such loss or expense and setting forth the calculation thereof in reasonable detail, which certificate shall be conclusive in the absence of manifest error.

Section 2.16. *Computation of Interest and Fees.* Interest based on the Prime Rate and, in the case of Committed Alternative Currency Loans denominated in Sterling, the Euro−Currency Rate hereunder shall be computed on the basis of a year of 365 days and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day); *provided* that if the Administrative Agent reasonably determines that a different basis of computation is the market convention for a particular Alternative Currency, such different basis shall be used.

Section 2.17. [Intentionally Omitted]

Section 2.18. *Regulation D Compensation.* (a) Each Lender may require each Borrower to pay, contemporaneously with each payment of interest on the Euro−Currency Loans, additional interest on the related Euro−Currency Loan of such Lender at a rate per annum determined by such Lender up to but not exceeding the excess of (i) (A) the applicable London Interbank Offered Rate divided by (B) one minus the Euro−Currency Reserve Percentage over (ii) the applicable London Interbank Offered Rate. Any Lender wishing to require payment of such additional interest (x) shall so notify such Borrower and the Administrative Agent, in which case such additional interest on the Euro−Currency Loans of such Lender shall be payable to such Lender at the place indicated in such notice with respect to each Interest Period commencing at least three Euro−Currency Business Days after the giving of such notice and (y) shall notify such Borrower at least five Euro−Currency Business Days prior to each date on which interest is payable on the Euro−Currency Loans of the amount then due it under this Section.

(b) If and so long as any Lender is required to make special deposits with the Bank of England, to maintain reserve asset ratios or to pay fees in respect of such Lender's Euro−Currency Loans, such Lender may require each Borrower to pay, contemporaneously with each payment of interest on each of such Loans, additional interest on such Loan at a rate per annum equal to the Mandatory Costs Rate calculated in accordance with the formula and in the manner set forth in Exhibit G hereto.

(c) If and so long as any Lender is required to comply with reserve assets, liquidity, cash margin or other requirements of any monetary or other authority (including any such requirement imposed by the European Central Bank or the European System of Central Banks, but excluding requirements referred to in subsections (a) and (b) above) in respect of any of such Lender's Euro−Currency Loans, such Lender may require each Borrower to pay, contemporaneously with each payment of interest on each of such Lender's Euro−Currency Loans subject to such requirements, additional interest on such Loan at

a rate per annum specified by such Lender to be the cost to such Lender of complying with such requirements in relation to such Loan.

(d) Any additional interest owed pursuant to subsection (a), (b) or (c) above shall be determined by the relevant Lender, which determination shall be conclusive and binding for all purposes except in the case of manifest error, and notified to each Borrower (with a copy to the Administrative Agent) at least five Euro−Currency Business Days before each date on which interest is payable for the relevant Loan, and such additional interest so notified to such Borrower by such Lender shall be payable to the Administrative Agent for the account of such Lender on each date on which interest is payable for such Loan.

Section 2.19. *Letters of Credit.* (a) Subject to the terms and conditions hereof, the Issuing Lender agrees to issue Letters of Credit hereunder denominated in Dollars or in an Alternative Currency from time to time until the tenth day prior to the Termination Date upon the request of the Company for its account or the account of any Subsidiary; *provided* that, immediately after each Letter of Credit is issued (i) the Total Outstanding Amount shall not exceed the aggregate amount of the Commitments, (ii) the aggregate Dollar Amount of Letter of Credit Liabilities shall not exceed the Letters of Credit Sublimit and (iii) the sum of the aggregate Dollar Amount of the aggregate principal amount of all outstanding Committed Alternative Currency Loans plus the aggregate Dollar Amount of the aggregate Letter of Credit Liabilities for Letters of Credit in an Alternative Currency shall not exceed the Alternative Currency Sublimit. Upon the date of issuance by the Issuing Lender of a Letter of Credit, the Issuing Lender shall be deemed, without further action by any party hereto, to have sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have purchased from the Issuing Lender, a participation in such Letter of Credit and the related Letter of Credit Liabilities in the proportion their respective Commitments bear to the aggregate Commitments.

(b) The Company shall give the Issuing Lender notice at least (i) five Euro−Currency Business Days prior to the requested issuance of an Alternative Currency Letter of Credit and (ii) three Domestic Business Days prior to the requested issuance of a Dollar Letter of Credit specifying the date such Letter of Credit is to be issued, and describing the terms of such Letter of Credit, the nature of the transactions to be supported thereby and the proposed Alternative Currency of such Letter of Credit (such notice, including any such notice given in connection with the extension of a Letter of Credit, a "**Notice of Issuance**"). Upon receipt of a Notice of Issuance, the Issuing Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender of the contents thereof and of the amount of such Lender's participation in such Letter of Credit. The issuance by the Issuing Lender of each Letter of Credit shall, in addition to the conditions precedent set forth in Article 3, be subject to the conditions precedent that such Letter of Credit shall be in such form and contain such terms as shall be satisfactory to the Issuing Lender and that the

Company shall have executed and delivered such other instruments and agreements relating to such Letter of Credit as the Issuing Lender shall have reasonably requested. The extension or renewal of any Letter of Credit shall be deemed to be an issuance of such Letter of Credit, and if any Letter of Credit contains a provision pursuant to which it is deemed to be extended unless notice of termination is given by the Issuing Lender, the Issuing Lender shall timely give such notice of termination unless it has theretofore timely received a Notice of Issuance and the other conditions to issuance of a Letter of Credit have also theretofore been met with respect to such extension.

(c) Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Termination Date.

(d) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the Issuing Lender shall notify the Administrative Agent and the Administrative Agent shall promptly notify the Company and each other Lender as to the amount to be paid as a result of such demand or drawing and the payment date. The Company shall be irrevocably and unconditionally obligated forthwith to reimburse the Issuing Lender for any amounts paid by the Issuing Lender upon any drawing under any Letter of Credit, in the currency of such payment (a "**Reimbursement Obligation**") without presentment, demand, protest or other formalities of any kind. All such amounts paid by the Issuing Lender and remaining unpaid by the Company shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus (i) if such amount is denominated in Dollars, the Base Rate for such day and (ii) if such amount is denominated in an Alternative Currency, the sum of the Euro−Currency Margin plus the rate per annum at which one−day deposits in the relevant currency are offered by the principal London office of the Administrative Agent in the London interbank market for such day. In addition, each Lender will pay to the Administrative Agent, for the account of the Issuing Lender, immediately upon the Issuing Lender's demand at any time during the period commencing after such drawing until reimbursement therefor in full by the Company, an amount equal to such Lender's ratable share of such drawing (in proportion to its participation therein), together with interest on such amount for each day from the date of the Issuing Lender's demand for such payment (or, if such demand is made after 12:00 Noon (New York City time) on such date, from the next succeeding Domestic Business Day) to the date of payment by such Lender of such amount at a rate of interest per annum equal to (i) if such amount is denominated in Dollars, the Federal Funds Rate and (ii) if such amount is denominated in an Alternative Currency, the rate per annum at which one−day deposits in the relevant currency are offered by the principal London office of the Administrative Agent in the London interbank market for such day. The Issuing

Lender will pay to each Lender ratably all amounts received from the Company for application in payment of its reimbursement obligations in respect of any Letter of Credit, but only to the extent such Lender has made payment to the Issuing Lender in respect of such Letter of Credit pursuant hereto.

(e) The obligations of the Company and each Lender under subsection 2.19(d) above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including without limitation the following circumstances:

(i) the use which may be made of any Letter of Credit by, or any acts or omission of, a beneficiary of any Letter of Credit (or any Person for whom the beneficiary may be acting);

(ii) the existence of any claim, set−off, defense or other rights that the Company may have at any time against a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting), the Lenders (including the Issuing Lender) or any other Person, whether in connection with this Agreement or the Letter of Credit or any document related hereto or thereto or any unrelated transaction;

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

(iv) payment under a Letter of Credit to the beneficiary of such Letter of Credit against presentation to the Issuing Lender of a draft or certificate that does not comply with the terms of the Letter of Credit; or

(v) any other act or omission to act or delay of any kind by any Lender (including the Issuing Lender), the Administrative Agent or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this subsection (v), constitute a legal or equitable discharge of the Company's or the Lender's obligations hereunder.

(f) The Company hereby indemnifies and holds harmless each Lender (including the Issuing Lender) and the Administrative Agent from and against any and all claims, damages, losses, liabilities, costs or expenses which such Lender or the Administrative Agent may incur (including, without limitation, any claims, damages, losses, liabilities, costs or expenses which the Issuing Lender may incur by reason of or in connection with the failure of any other Lender to fulfill or comply with its obligations to the Issuing Lender hereunder (but nothing herein contained shall affect any rights the Company may have against such defaulting Lender)), and none of the Lenders (including the Issuing Lender) nor the

Administrative Agent nor any of their officers or directors or employees or agents shall be liable or responsible, by reason of or in connection with the execution and delivery or transfer of or payment or failure to pay under any Letter of Credit, including without limitation any of the circumstances enumerated in subsection 2.19(e) above, as well as (i) any error, omission, interruption or delay in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, (ii) any loss or delay in the transmission of any document required in order to make a drawing under a Letter of Credit, and (iii) any consequences arising from causes beyond the control of the Issuing Lender, including without limitation any government acts, or any other circumstances whatsoever in making or failing to make payment under such Letter of Credit; *provided* that the Company shall not be required to indemnify the Issuing Lender for any claims, damages, losses, liabilities, costs or expenses, and the Company shall have a claim for direct (but not consequential) damage suffered by it, to the extent found by a court of competent jurisdiction to have been caused by (x) the willful misconduct or gross negligence of the Issuing Lender in determining whether a request presented under any Letter of Credit complied with the terms of such Letter of Credit or (y) the Issuing Lender's failure to pay under any Letter of Credit after the presentation to it of a request strictly complying with the terms and conditions of the Letter of Credit. Nothing in this Section 2.19(f) is intended to limit the obligations of the Company under any other provision of this Agreement. To the extent the Company does not indemnify the Issuing Lender as required by this subsection, the Lenders agree to do so ratably in accordance with their Commitments.

(g) If any Event of Default shall occur and be continuing, on the day that the Company receives notice from the Administrative Agent or the Required Lenders demanding the deposit of cash collateral pursuant to this paragraph, the Company shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash in the relevant currency equal to the Letter of Credit Liabilities as of such date plus any accrued and unpaid interest thereon; *provided* that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Company described in clause (g) or (clause (h) of Section 6.01 . Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Company under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Company's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Lender for Letter of

Credit Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Company for the Letter of Credit Liabilities at such time or, if the maturity of the Loans has been accelerated, be applied to satisfy other obligations of the Company under this Agreement. If the Company is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Company within three Euro−Dollar Business Days after all Events of Default have been cured or waived.

Section 2.20. *Incremental Increase in Commitments.* (a) At any time, if no Event of Default shall have occurred and be continuing, the Company may, if it so elects but subject to due authorization by all necessary corporate action, increase the aggregate amount of the Commitments (the "**Incremental Commitments**"), either by designating one or more financial institutions not theretofore Lenders to become a Lender (such designation to be effective only with the prior written consent of the Administrative Agent, which consent will not be unreasonably withheld or delayed), or by agreeing with one or more existing Lenders that such Lender's Commitment shall be increased. The Incremental Commitments shall be treated as Commitments for all purposes under this Agreement, except as specifically addressed herein. No Lender shall be obligated to make any Incremental Commitment unless it shall elect to do so in its sole and absolute discretion in response to the Company's request.

(b) Upon execution and delivery by the Company and such Lender or other financial institution of an instrument (the "**Incremental Commitment Notice**") in form reasonably satisfactory to the Administrative Agent (which instrument shall specify the amount of each Commitment), such existing Lender shall have a Commitment as therein set forth or such other financial institution shall become a Lender with a Commitment as therein set forth and all the rights and obligations of a Lender with such a Commitment hereunder; *provided* that:

(i) the Company shall provide prompt notice of such increase to the Administrative Agent, who shall promptly notify the Lenders;

(ii) the amount of such Incremental Commitment, together with all other increases in the aggregate amount of the Commitments pursuant to this Section 2.20 since the date of this Agreement, shall not exceed $250,000,000;

(iii) the Letter of Credit Sublimit and Alternative Currency Sublimit shall each be increased by an amount which bears the same ratio to the Increased Commitments as the Letter of Credit Sublimit and Alternative Currency Sublimit, respectively, bears to the aggregate Commitments then existing; and

(iv) after giving effect to such increase or new Commitment, the amount of the Commitment of any Lender shall not exceed 20% of the aggregate amount of the Commitments (excluding, for purposes of this clause (iv), any increase resulting solely from the merger or the acquisition of one Lender into or by another Lender).

ARTICLE 3
CONDITIONS

Section 3.01. *Closing.* The closing hereunder shall occur upon receipt by the Administrative Agent of the following documents, each dated the Closing Date unless otherwise indicated:

(a) (i) an opinion of Weil, Gotshal & Manges, LLP, counsel for the Obligors, substantially in the form of Exhibit E−1 hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Lenders may reasonably request, and (ii) an opinion of Baker & McKenzie CVBA/SCRL, Belgium counsel for Estée Lauder NV, substantially in the form of Exhibit E−2 hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Lenders may reasonably request(1);

(b) an advice from the Administrative Agent that it has received all fees and other amounts due and payable on or prior to the Closing Date, including reimbursement or payment of all reasonable out−of−pocket expenses to be reimbursed or paid by the Company;

(c) all documents the Administrative Agent may reasonably request relating to the existence of each of the Company, the Company Guarantor and Estée Lauder NV, the corporate authority for and the validity of this Agreement and the Notes, and any other matters relevant hereto, all in form and substance satisfactory to the Administrative Agent; and

(d) the Administrative Agent shall have received evidence reasonably satisfactory to it that all principal of any loans outstanding under, and all accrued interest and fees under, the Existing Credit Agreement shall have been paid in full and that the commitments under the Existing Credit Agreement have been terminated.

(1) Baker & McKenzie — Please furnish draft opinion for review.

The Administrative Agent shall promptly notify the Company and the Lenders of the Closing Date, and such notice shall be conclusive and binding on all parties hereto.

Section 3.02. *Borrowings and Issuances of Letters of Credit.* The obligation of any Lender to make a Loan on the occasion of any Borrowing and the obligation of the Issuing Lender to issue (or renew or extend the term of) any Letter of Credit is subject to the satisfaction of the following conditions:

(a) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.02 or Section 2.03, or receipt by the Issuing Lender of a Notice of Issuance as required by Section 2.19, as the case may be;

(b) the fact that, immediately after such Borrowing or issuance of such Letter of Credit (i) the Total Outstanding Amount will not exceed the aggregate amount of the Commitments, (ii) the aggregate amount of Letter of Credit Liabilities will not exceed the Letter of Credit Sublimit, and (iii) the sum of the aggregate Dollar Amount of the aggregate principal amount of all outstanding Committed Alternative Currency Loans plus the aggregate Dollar Amount of the aggregate Letter of Credit Liabilities for Letters of Credit in an Alternative Currency shall not exceed the Alternative Currency Sublimit;

(c) the fact that, immediately before and after such Borrowing or issuance of such Letter of Credit, no Default shall have occurred and be continuing;

(d) the fact that the representations and warranties of the Company and the Company Guarantor (and, in the case of a Borrowing or an issuance of a Letter of Credit by an Eligible Subsidiary, of such Eligible Subsidiary) contained in this Agreement shall be true on and as of the date of such Borrowing or issuance of such Letter of Credit; and

(e) the closing shall have occurred in accordance with Section 3.01.

Each Borrowing and issuance of a Letter of Credit hereunder shall be deemed to be a representation and warranty by the Company and the Company Guarantor (and, in the case of a Borrowing or an issuance of a Letter of Credit by an Eligible Subsidiary, of such Eligible Subsidiary) on the date of such Borrowing as to the facts specified in clauses (b), (c) and (d) of this Section.

Section 3.03. *First Borrowing by Each Eligible Subsidiary.* The obligation of each Lender to make a Loan, and the obligation of the Issuing Lender to issue a Letter of Credit, on the occasion of the first Borrowing by or issuance of a Letter of Credit for the account of each Eligible Subsidiary is subject to the satisfaction of the following further conditions:

(a) receipt by the Administrative Agent of an opinion of counsel for such Eligible Subsidiary reasonably acceptable to the Administrative Agent covering such matters relating to the transactions contemplated hereby as the Required Lenders may reasonably request; and

(b) receipt by the Administrative Agent of all documents which it may reasonably request relating to the existence of such Eligible Subsidiary, the corporate authority of and the validity of the Election to Participate of such Eligible Subsidiary, this Agreement and the Notes (if any) of such Eligible Subsidiary, and any other matters relevant thereto, all in form and substance reasonably satisfactory to the Administrative Agent.

Section 3.04. *Existing Credit Agreement.* (a) On the Closing Date, the "Facility Commitments" and the "Alternative Currency Commitments", if any, each as defined in the Existing Credit Agreement shall terminate.

(b) The Lenders that are parties to the Existing Credit Agreement, comprising the "Required Lenders" as defined therein, hereby waive any requirement of notice of termination of the "Facility Commitments" and the "Alternative Currency Commitments" (each as defined in the Existing Credit Agreement) pursuant to Section 2.09 thereof.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

Each of the Company and the Company Guarantor jointly and severally represents and warrants that:

Section 4.01. *Corporate Existence and Power.* Each Obligor is an organization duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and has all requisite powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except to the extent that the failure to have such licenses, authorizations, consents and approvals could not reasonably be expected to have a Material Adverse Effect.

Section 4.02. *Corporate and Governmental Authorization; No Contravention.* The execution, delivery and performance by each of the Company and the Company Guarantor (and, as applicable, each Eligible Subsidiary) of this Agreement and by the Company (and, as applicable, each Eligible Subsidiary) of the Notes (if any) are within the corporate powers of the Company and the Company Guarantor, as applicable (and, as applicable, each Eligible Subsidiary), have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any

provision of applicable law or regulation or of the certificate of incorporation, organizational documents or by−laws of the Company or the Company Guarantor, as applicable (and, as applicable, each Eligible Subsidiary), or of any agreement evidencing or governing Debt or of any other material agreement, or of any judgment, injunction, order, decree or other material instrument binding upon the Company or any of its Subsidiaries or result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries.

Section 4.03. *Binding Effect.* This Agreement constitutes a valid and binding agreement of each Obligor and each Note (if any), when executed and delivered by the Company (and, as applicable, any Eligible Subsidiary) in accordance with this Agreement, will constitute a valid and binding obligation of the Company (and, as applicable, such Eligible Subsidiary), in each case enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.

Section 4.04. *Financial Information.* (a) The consolidated balance sheet of the Company and its Consolidated Subsidiaries as of June 30, 2006 and the related consolidated statements of earnings and cash flows for the fiscal year then ended, reported on by KPMG LLP, a copy of which has been delivered to each of the Lenders, fairly present, in conformity with GAAP, the consolidated financial position of the Company and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) The unaudited consolidated balance sheet of the Company and its Consolidated Subsidiaries as of December 31, 2006 and the related unaudited consolidated statements of earnings and cash flows for the six months then ended, a copy of which has been delivered to each of the Lenders, fairly present, in conformity with GAAP applied on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Company and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such six−month period.

(c) On the Closing Date, there has been no material adverse change in the business, financial position or results of operations of the Company and its Consolidated Subsidiaries, considered as a whole, since December 31, 2006.

Section 4.05. *Litigation.* Except as described in Schedule 4.05, there is no action, suit or proceeding pending against, or to the knowledge of any Obligor, overtly threatened against or affecting, the Company or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could have a Material Adverse Effect, or which in any manner draws into question the validity or enforceability of this Agreement or the Notes (if any).

Section 4.06. *Compliance with ERISA.* Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 4.07. *Environmental Matters.* In the ordinary course of its business, the Company conducts an ongoing review of the effect of Environmental Laws on the business, operations and properties of the Company and its Subsidiaries, in the course of which it identifies and evaluates associated liabilities and costs (including, without limitation, any capital or operating expenditures required for clean−up or closure of properties presently or previously owned, any capital or operating expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or contract, any related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted thereat, any costs or liabilities in connection with off−site disposal of wastes or Hazardous Substances, and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of this review, the Company has reasonably concluded that such associated liabilities and costs, including the costs of compliance with Environmental Laws, are unlikely to have a Material Adverse Effect.

Section 4.08. *Taxes.* The Company and its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Company or any Subsidiary, other than taxes due pursuant to any such assessment which are being contested in good faith by appropriate proceedings. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Company, adequate.

Section 4.09. *Subsidiaries.* (a) Each of the Company's corporate Significant Subsidiaries (other than the Company Guarantor or the Eligible Subsidiaries, with respect to which representations and warranties comparable to those set forth in this Section are being made in Section 4.01) is a corporation duly incorporated, validly existing and in good standing under the laws of its

jurisdiction of incorporation, and has all corporate powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except to the extent that the failure to be or have any of the foregoing could not reasonably be expected to have a Material Adverse Effect.

(b) The Company owns, directly or indirectly, 100% of the outstanding capital stock of the Company Guarantor.

Section 4.10. *Regulatory Restrictions on Borrowing.* No Obligor is an "**investment company**" within the meaning of the Investment Company Act of 1940, as amended, or otherwise subject to any regulatory scheme which restricts its ability to incur debt.

Section 4.11. *Full Disclosure.* All information heretofore furnished by each Obligor to the Administrative Agent or any Lender for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by each Obligor to the Administrative Agent or any Lender will be, true and accurate in all material respects on the date as of which such information is stated or certified.

ARTICLE 5
COVENANTS

The Company agrees that, so long as any Lender has any Commitment hereunder or any amount payable in respect of any Loan remains unpaid or any Letter of Credit Liability remains outstanding:

Section 5.01. *Information.* The Company will furnish to each of the Lenders:

(a) as soon as available and in any event within 75 days after the end of each fiscal year of the Company, a consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of earnings and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by KPMG LLP or other independent public accountants of nationally recognized standing without any qualification or exception which (i) is of a "**going concern**" or similar nature, (ii) relates to the limited scope of examination of matters relevant to such financial statements or (iii) relates to the treatment or classification of any item in such financial statements and which, as a condition to its removal, would require an adjustment to such item the effect of which would be to cause an Event of Default under Sections 5.09(k), 5.10 or 5.11;

(b) as soon as available and in any event within 40 days after the end of each of the first three quarters of each fiscal year of the Company, a consolidated

balance sheet of the Company and its Consolidated Subsidiaries as of the end of such quarter, the related consolidated statements of earnings for such quarter and the related consolidated statements of earnings and cash flows for the portion of the Company's fiscal year ended at the end of such quarter, setting forth in the case of such statements of earnings and cash flows, in comparative form the figures for the corresponding quarter (with respect to the statement of earnings only) and the corresponding portion of the Company's previous fiscal year, all certified (subject to normal year−end adjustments) as to fairness of presentation and GAAP applied on a consistent basis by the chief financial officer or the chief accounting officer of the Company;

(c) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of the chief financial officer, the chief accounting officer or the treasurer of the Company (i) setting forth in reasonable detail the calculations required to establish whether the Company was in compliance with the requirements of Sections 5.09 through 5.11, inclusive, on the date of such financial statements and (ii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(d) within ten days after any Senior Officer of any Obligor obtains knowledge of any Default, if such Default is then continuing, a certificate of the chief financial officer, the chief accounting officer or the treasurer of the Company setting forth the details thereof and the action which each Obligor is taking or proposes to take with respect thereto;

(e) within ten days after the mailing thereof to the stockholders of the Company generally, copies of all financial statements, reports and proxy statements so mailed;

(f) within ten days after the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S−8 or its equivalent) and reports on Forms 10−K, 10−Q and 8−K (or their equivalents) which the Company shall have filed with the Securities and Exchange Commission;

(g) if and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "**reportable event**" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii)

receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the chief financial officer, the chief accounting officer or the treasurer of the Company setting forth details as to such occurrence and action, if any, which the Company or applicable member of the ERISA Group is required or proposes to take; and

(h) from time to time such additional information regarding the financial position or business of the Company and its Subsidiaries as the Administrative Agent, at the request of any Lender, may reasonably request.

For purposes of this Section, the Company's obligation to deliver the items referred to in Sections 5.01(a), (b), (e) and (f) will be deemed satisfied by the electronic delivery to the Administrative Agent of such items and posting of such items on a website to which the Lenders have access, and which shall have been designated in a notice delivered to the Lenders and the Administrative Agent.

Section 5.02. *Payment of Obligations.* The Company will pay and discharge, and will cause each Significant Subsidiary to pay and discharge, at or before maturity, all their respective material obligations and liabilities (including, without limitation, tax liabilities and claims of materialmen, warehousemen and the like which if unpaid might by law give rise to a Lien), except where the same may be contested in good faith by appropriate proceedings or to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect, and will maintain, and will cause each Significant Subsidiary to maintain, in accordance with GAAP, appropriate reserves for the accrual of any of the same.

Section 5.03. *Insurance.* The Company will, and will cause each of its Significant Subsidiaries to, maintain (either in the name of the Company or in such Significant Subsidiary's own name), with financially sound and responsible insurance companies or pursuant to a self−insurance program, insurance on all their respective properties in at least such amounts, against at least such risks and with such risk retention as are usually maintained, insured against or retained, as the case may be, in the same general area by companies of established repute engaged in the same or a similar business; and will furnish to the Lenders, upon

request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

Section 5.04. *Conduct of Business and Maintenance of Existence.* The Company will preserve, renew and keep in full force and effect, and will cause each Guarantor and each other Significant Subsidiary to preserve, renew and keep in full force and effect its corporate existence and rights, privileges and franchises necessary or desirable in the normal conduct of business (except, solely with respect to any Significant Subsidiary that is not an Obligor, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect); *provided* that nothing in this Section 5.04 shall prohibit (i) the merger of a Significant Subsidiary into the Company or the merger or consolidation of a Significant Subsidiary with or into another Person if the corporation surviving such consolidation or merger is a Subsidiary (provided that in the case of any such merger or consolidation involving a Guarantor, it or the Company must be the surviving corporation) and if, in each case, after giving effect thereto, no Default shall have occurred and be continuing or (ii) the termination of the corporate existence of any Significant Subsidiary (other than any Guarantor) if the Company in good faith determines that such termination is in the best interest of the Company and is not materially disadvantageous to the Lenders.

Section 5.05. *Compliance with Laws.* The Company will comply, and cause the Company Guarantor and each other Significant Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder) except where the necessity of compliance therewith is contested in good faith by appropriate proceedings or to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 5.06. *Inspection of Property, Books and Records.* The Company will keep, and will cause the Company Guarantor and each other Significant Subsidiary to keep, proper books of record and account in which full, true and correct entries shall be made in all material respects of all dealings and transactions in relation to its business and activities; and will permit, and will cause the Company Guarantor and each other Subsidiary to permit, representatives of any Lender at such Lender's expense to visit and inspect any of its properties, to examine and make abstracts from any of its books and records and to discuss its affairs, finances and accounts with its officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

Section 5.07. *Mergers and Sales of Assets.* The Company will not, and will not permit any Guarantor to, (i) consolidate or merge with or into any other Person or (ii) sell, lease or otherwise transfer, directly or indirectly, all or substantially all of the assets of the Company and its Subsidiaries, taken as a

whole, to any other Person; *provided* that (a) the Company may merge with another Person if (x) the Company is the corporation surviving such merger and (y) after giving effect to such merger, no Default shall have occurred and be continuing and (b) any Guarantor may be a party to any merger or consolidation permitted by Section 5.04.

Section 5.08. *Use of Proceeds.* The proceeds of the Loans made under this Agreement will be used by each Borrower to provide credit support for such Borrower's commercial paper program, to fund the Company's share repurchase program and for such general corporate purposes in the ordinary course of business of the Company and its Subsidiaries as shall be determined by the Company from time to time. None of such proceeds will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "margin stock" within the meaning of Regulation U.

Section 5.09. *Negative Pledge.* The Company will not, and will not permit any Subsidiary to, create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

(a) Liens existing on the date of this Agreement securing Debt outstanding on the date of this Agreement in an aggregate principal or face amount not exceeding $50,000,000;

(b) any Lien existing on any asset of any Person at the time such Person becomes a Subsidiary and not created in contemplation of such event;

(c) any Lien on any asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring or constructing such asset; *provided* that such Lien attaches to such asset concurrently with or within 90 days after the acquisition or substantial completion of construction thereof, as the case may be;

(d) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into the Company or a Subsidiary and not created in contemplation of such event;

(e) any Lien existing on any asset prior to the acquisition thereof by the Company or a Subsidiary and not created in contemplation of such acquisition;

(f) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section; *provided* that such Debt is not increased and is not secured by any additional assets;

(g) Liens imposed by any governmental authority for taxes, assessments, governmental charges, duties or levies not yet due or which are

being contested in good faith and by appropriate proceedings; *provided* adequate reserves with respect thereto are maintained on the books of the Company and its Consolidated Subsidiaries in accordance with GAAP;

(h) carriers', warehousemen's, mechanics', transporters, materialmen's, repairmen's or other like Liens arising in the ordinary course of business; *provided* any such Lien is either (x) discharged within five days of the date when payment of the obligation secured by such Lien is due or (y) is being contested in good faith by appropriate proceedings diligently conducted;

(i) Liens (other than Liens described in clauses (g) or (h)) arising in the ordinary course of its business which (i) do not secure Debt or Derivatives Obligations, (ii) do not secure any obligation in an amount exceeding $50,000,000 and (iii) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business;

(j) Liens on cash and cash equivalents securing Derivatives Obligations; *provided* that the aggregate amount of cash and cash equivalents subject to such Liens may at no time exceed $50,000,000; and

(k) Liens not otherwise permitted by the foregoing clauses of this Section securing Debt in an aggregate principal or face amount at any date not to exceed the greater of (i) $150,000,000 and (ii) 15% of Consolidated Tangible Net Worth at the last day of the most recently ended fiscal quarter.

Section 5.10. *Interest Expense Coverage Ratio.* The Interest Expense Coverage Ratio as of the last day of each fiscal quarter shall be greater than 3.0:1.0.

Section 5.11. *Debt of Subsidiaries.* The Company will not permit any of its Subsidiaries (other than the Company Guarantor) to incur or at any time be liable with respect to any Debt other than (i) Debt owing to the Company or a wholly owned Subsidiary, (ii) Debt created under this Agreement, (iii) any commercial paper issued by an Eligible Subsidiary the credit support for which is provided by this Agreement, and (iv) other Debt in an aggregate principal amount outstanding not exceeding $300,000,000. For purposes of this Section any preferred stock of a Subsidiary held by a Person other than the Company or a Wholly−Owned Subsidiary shall be included, at the higher of its voluntary or involuntary liquidation value, in the "**Debt**" of such Subsidiary.

Section 5.12. *Transactions with Affiliates.* The Company will not, and will not permit any Subsidiary to, directly or indirectly, pay any funds to or for the account of, make any investment (whether by acquisition of stock or indebtedness, by loan, advance, transfer of property, guarantee or other agreement to pay, purchase or service, directly or indirectly, any Debt, or otherwise) in, lease, sell, transfer or otherwise dispose of any assets, tangible or intangible, to, or

participate in, or effect, any transaction with, any Affiliate (any such payment, investment, lease, sale, transfer, other disposition or transaction, an "**Affiliate Transaction**") except on an arms−length basis on terms at least as favorable to the Company or such Subsidiary as terms that could have been obtained from a third party who was not an Affiliate; *provided* that the foregoing provisions of this Section shall not prohibit (i) any such Person from declaring or paying any lawful dividend or other payment ratably in respect of all of its capital stock of the relevant class so long as, after giving effect thereto, no Default shall have occurred and be continuing, (ii) any Affiliate Transaction disclosed in the Proxy Statement under the heading "Certain Relationships and Related Transactions" or (iii) any Affiliate Transaction (other than any Affiliate Transaction described in clauses (i) or (ii)) in which the amount involved does not exceed $500,000. The approval by the independent directors (or any committee thereof) of the board of directors of the Company or a Subsidiary of any Affiliate Transaction to which the Company or such Subsidiary is a party shall create a rebuttable presumption that such Affiliate Transaction is on an arms−length basis on terms at least as favorable to the Borrower or such Subsidiary as terms that could have been obtained from a third party who was not an Affiliate.

ARTICLE 6
DEFAULTS

Section 6.01. *Events of Default.* If one or more of the following events ("**Events of Default**") shall have occurred and be continuing:

(a) any Borrower shall fail to pay when due any principal of any Loan or any Reimbursement Obligation or shall fail to pay any interest or fees payable hereunder within five Domestic Business Days of the due date thereof;

(b) the Company shall fail to observe or perform any covenant contained in Article 5, other than those contained in Sections 5.01 through 5.06 and 5.12;

(c) any Obligor shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause (a) or (b) above) for 30 days after notice thereof has been given to the Company by the Administrative Agent at the request of any Lender;

(d) any representation, warranty, certification or statement made by any Obligor in this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

(e) the Company or any Subsidiary shall fail to make any payment in respect of any Material Financial Obligations when due or within any applicable grace period;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt or enables the holder of such Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(g) the Company or any Significant Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against the Company or any Significant Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 90 days; or an order for relief shall be entered against the Company or any Significant Subsidiary under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $50,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of $50,000,000;

(j) judgments or orders for the payment of money in excess of $50,000,000 (net of any insurance with respect to which the carrier has

acknowledged coverage) shall be rendered against the Company or any Subsidiary and such judgments or orders shall continue unsatisfied and unstayed for a period of 30 days;

(k) there occurs a Change of Control; or

(l) the Guaranty or any provision thereof shall be found or held invalid or unenforceable by a court of competent jurisdiction or either Guarantor shall have repudiated its obligations under the Guaranty;

then, following the occurrence and during the continuance of every such event, the Administrative Agent shall (i) if requested by Required Lenders, by notice to the Company terminate the Commitments and they shall thereupon terminate, and (ii) if requested by Lenders holding more than 50% of the aggregate principal Dollar Amount of the Loans, by notice to the Company declare the Loans (together with accrued interest thereon) to be, and the Loans shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Obligor; *provided* that in the case of any of the Events of Default specified in clause 6.01(g) or 6.01(h) above with respect to the Company, without any notice to any Obligor or any other act by the Administrative Agent or the Lenders, the Commitments shall thereupon terminate and the Loans (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Obligor.

Section 6.02. *Notice of Default.* The Administrative Agent shall give notice to the Company under Section 6.01(c) promptly upon being requested to do so by any Lender and shall thereupon notify all the Lenders thereof.

ARTICLE 7
THE ADMINISTRATIVE AGENT

Section 7.01. *Appointment and Authorizations.* Each Lender irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Notes (if any) as are delegated to the Administrative Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

Section 7.02. *Agents and Affiliates.* JPMorgan Chase Bank, N.A. shall have the same rights and powers under this Agreement as any other Lender and may exercise or refrain from exercising the same as though it were not the Administrative Agent, and JPMorgan Chase Bank, N.A. and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business

with the Company or any Subsidiary or affiliate of the Company as if it were not the Administrative Agent.

Section 7.03. *Action by Agents.* The obligations of Administrative Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article 6, and except as expressly set forth herein and in other Financing Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Company or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliate in any capacity.

Section 7.04. *Consultation with Experts.* The Administrative Agent may consult with legal counsel (who may be counsel for any Obligor), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 7.05. *Liability of Agents.* Neither the Administrative Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Lenders or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Administrative Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of any Obligor; (iii) the satisfaction of any condition specified in Article 3, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex, facsimile transmission or similar writing) believed by it to be genuine or to be signed by the proper party or parties.

Section 7.06. *Indemnification.* Each Lender shall, ratably in accordance with its Commitment (or, if at any time the Commitments shall have been terminated, ratably in accordance with the aggregate outstanding principal Dollar Amount of Loans of such Lender), indemnify the Administrative Agent, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by any Obligor) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct) that

such indemnitees may suffer or incur in connection with this Agreement or any action taken or omitted by such indemnitees hereunder.

Section 7.07. *Credit Decision.* Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, any Joint Arranger or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, any Joint Arranger or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

Section 7.08. *Successor Agents.* The Administrative Agent may resign at any time by giving notice thereof to the Lenders and each Obligor and shall resign if requested by the Required Lenders. Upon any such resignation, the Required Lenders shall have the right (after consulting with the Company) to appoint a successor to the Administrative Agent. If no successor to the Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of its appointment as the Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After the retiring Administrative Agent's resignation hereunder, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent.

Section 7.09. *Administrative Agent's Fees.* The Company shall pay to the Administrative Agent for its own account fees in the amounts and at the times previously agreed upon between the Company and the Administrative Agent.

Section 7.10. *Other Agents Not Liable.* Nothing in this Agreement shall impose upon Citibank, N.A. or Bank of America, N.A., in their capacities as Syndication Agents, or Bank of Tokyo−Mitsubishi UFJ Trust Company or BNP Paribas, in their capacities as Documentation Agents, any duties or responsibilities whatsoever.

ARTICLE 8
CHANGE IN CIRCUMSTANCES

Section 8.01. *Basis for Determining Interest Rate Inadequate or Unfair.* If on or prior to the first day of any Interest Period for any Euro−Currency Loan or Competitive Bid LIBOR Loan:

(a) the Administrative Agent is advised by the Reference Banks that deposits in the relevant currency (in the applicable amounts) are not being offered to the Reference Banks in the relevant market for such Interest Period, or

(b) in the case of Euro−Currency Loans, Lenders having 50% or more of the aggregate amount of the Commitments advise the Administrative Agent that the London Interbank Offered Rate as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Lenders of funding their Euro−Currency Loans in the relevant currency for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Borrower and the Lenders, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Lenders to make Euro−Currency Loans in the relevant currency or to continue or convert outstanding Loans as or into Euro−Currency Loans in the relevant currency, as the case may be, shall be suspended, (ii) each outstanding Euro−Currency Loan shall be prepaid (or in the case of an affected Loan denominated in dollars, converted into a Base Rate Loan) on the last day of the then current Interest Period applicable thereto, (iii) unless the Borrower notifies the Administrative Agent at least two Domestic Business Days before the date of any Fixed Rate Borrowing denominated in dollars for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, (x) if such Fixed Rate Borrowing is a Committed Dollar Borrowing, such Borrowing shall instead be made as a Base Rate Borrowing and (y) if such Fixed Rate Borrowing is a Competitive Bid LIBOR Borrowing, the Competitive Bid LIBOR Loans comprising such Borrowing shall bear interest for each day from and including the first day to but excluding the last day of the Interest Period applicable thereto at the Base Rate for such day and (iv) any request for a Committed Alternative Currency Loan shall be ineffective.

Section 8.02. *Illegality.* If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Euro−Currency Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Lender (or its Euro−Currency Lending Office) to make, maintain or fund any of its Euro−

Currency Loans in any currency and such Lender shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Lenders and the Company, whereupon until such Lender notifies the Company and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Euro−Currency Loans in such currency, or to convert or continue outstanding Loans into Euro−Currency Loans in such currency, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Lender shall designate a different Euro−Currency Lending Office if such designation will avoid the need for giving such notice and will not, in the sole judgment of such Lender, be otherwise disadvantageous to such Lender. If such notice is given, each Euro−Currency Loan of such Lender then outstanding in such currency shall be converted at the Exchange Rate on the day of conversion to a Base Rate Loan either (a) on the last day of the then current Interest Period applicable to such Euro−Currency Loan if such Lender may lawfully continue to maintain and fund such Loan to such day or (b) immediately if such Lender shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 8.03. *Increased Cost and Reduced Return.* (a) If on or after (x) the date hereof, in the case of any Committed Loan or Letter of Credit or any obligation to make Committed Loans or issue or participate in any Letter of Credit or (y) the date of any related Competitive Bid Quote, in the case of any Competitive Bid Loan, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro−Currency Loan any such requirement with respect to which such Lender is entitled to compensation during the relevant interest period under Section 2.20), special deposit, insurance assessment or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (or its Applicable Lending Office) or shall impose on any Lender (or its Applicable Lending Office) or on the London interbank market any other condition affecting its Fixed Rate Loans, its Note (if any) or its obligation to make Fixed Rate Loans or its obligations hereunder with respect of Letters of Credit and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making or maintaining any Fixed Rate Loan or issuing or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Lender (or its Applicable Lending Office) under this Agreement or under its Note (if any) with respect thereto, by an amount deemed by such Lender to be

material, then, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Company shall pay, or shall cause another Borrower to pay, to such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction.

(b) If any Lender shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Lender (or its Parent) as a consequence of such Lender's obligations hereunder to a level below that which such Lender (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Company shall pay to such Lender such additional amount or amounts as will compensate such Lender (or its Parent) for such reduction.

(c) Each Lender will promptly notify the Company and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Lender to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate of any Lender claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder and the calculation thereof in reasonable detail shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

Section 8.04. *Taxes.* (a) For the purposes of this Section 8.04, the following terms have the following meanings:

"**Taxes**" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings with respect to any payment by any Obligor pursuant to this Agreement or under any Note, and all liabilities with respect thereto, excluding (i) in the case of each Lender and the Administrative Agent, taxes imposed on its income, and franchise or similar taxes imposed on it, by a jurisdiction under the laws of which such Lender or the Administrative Agent (as the case may be) is organized or in which its principal executive office is located or, in the case of each Lender, in which its Applicable Lending Office is located and (ii) in the case of each Lender, any United States withholding tax imposed on

such payments but only to the extent that such Lender is subject to United States withholding tax that is not creditable against such Lender's tax liability in the jurisdiction under the laws of which such Lender is organized or in which its principal executive office is located or in which its Applicable Lending Office is located at the time such Lender first becomes a party to this Agreement.

"**Other Taxes**" means any present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note.

(b) Any and all payments by any Obligor to or for the account of any Lender or the Administrative Agent hereunder or under any Note shall be made without deduction for any Taxes or Other Taxes; *provided* that, if an Obligor shall be required by law to deduct any Taxes or Other Taxes from any such payments, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) such Lender or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Obligor shall make such deductions, (iii) such Obligor shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) such Obligor shall furnish to the Administrative Agent, at its address referred to in Section 10.01, the original or a certified copy of a receipt evidencing payment thereof.

(c) Each Obligor agrees to indemnify each Lender and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by such Lender or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be paid within 30 days after such Lender or the Administrative Agent (as the case may be) makes demand therefor.

(d) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Lender listed on the signature pages hereof and on or prior to the date on which it becomes a Lender in the case of each other Lender, and from time to time thereafter if requested in writing by the Company (but only so long as such Lender remains lawfully able to do so), shall provide the Company and the Administrative Agent with Internal Revenue Service form W−8BEN or W−8ECI, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is entitled to benefits under an income tax treaty to which the United States is a party which exempts the Lender from United States withholding tax or reduces the rate of withholding tax

on payments of interest for the account of such Lender or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States.

(e) For any period with respect to which a Lender has failed to provide the Company or the Administrative Agent with the appropriate form pursuant to Section 8.04(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which such form originally was required to be provided), such Lender shall not be entitled to indemnification under Section 8.04(b) or (c) with respect to Taxes imposed by the United States; *provided* that if a Lender, which is otherwise exempt from or subject to a reduced rate of withholding tax, becomes subject to Taxes because of its failure to deliver a form required hereunder, the Company shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(f) If any Obligor is required to pay additional amounts to or for the account of any Lender pursuant to this Section, then such Lender will change the jurisdiction of its Applicable Lending Office if, in the sole judgment of such Lender, such change (i) will eliminate or reduce any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous to such Lender.

Section 8.05. *Base Rate Loans Substituted for Affected Fixed Rate Loans.* If (i) the obligation of any Lender to make, or to convert or continue outstanding Loans to, Euro−Currency Loans in any currency has been suspended pursuant to Section 8.02 or (ii) any Lender has demanded compensation under Section 8.03 or 8.04 with respect to its Euro−Currency Loans in any currency and the Company shall, by at least five Euro−Dollar Business Days' prior notice to such Lender through the Administrative Agent, have elected that the provisions of this Section shall apply to such Lender, then, unless and until such Lender notifies the Company that the circumstances giving rise to such suspension or demand for compensation no longer exist:

(a) all Loans which would otherwise be made by such Lender as (or continued as or converted into) Euro−Currency Loans in such currency shall be made instead as Base Rate Loans (in the case of Committed Alternative Currency Loans, in the same Dollar Amount as the Euro−Currency Loan that such Lender would otherwise have made in the Alternative Currency (on which interest and principal shall be payable contemporaneously with the related Fixed Rate Loans of the other Lenders); and

(b) after each of its Euro−Currency Loans in such currency has been repaid (or converted to a Base Rate Loan), all payments of principal which would otherwise be applied to repay such Fixed Rate Loans shall be applied to repay its Base Rate Loans instead.

If such Lender notifies the Company that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a Euro−Currency Loan denominated in the relevant currency, as the case may be, on the first day of the next succeeding Interest Period applicable to the related Euro−Currency Loans of the other Lenders. If such Loan is converted into an Committed Alternative Currency Loan, such Lender, the Administrative Agent and the relevant Borrower shall make such arrangements as shall be required (including increasing or decreasing the amount of such Committed Alternative Currency Loan) so that such Committed Alternative Currency Loan shall be in the same amount as it would have been if the provisions of this Section had never applied thereto.

Section 8.06. *Substitution of Lenders.* If (i) the obligation of any Lender to make Euro−Currency Loans has been suspended pursuant to Section 8.02 or (ii) any Lender has demanded compensation under Section 8.03 or 8.04, the Company shall have the right, with the assistance of the Administrative Agent and the Issuing Lender, to seek a substitute lender or lenders (which may be one or more of the Lenders), satisfactory to the Company, the Administrative Agent and the Issuing Lender, to purchase the Loans and assume the Commitments and Letter of Credit Liabilities of such Lender, for a purchase price equal to the aggregate outstanding principal of such Loans (together with any accrued and unpaid interest thereon and breakage costs, if any) or such other purchase price as such Lender and substitute lender or lenders shall agree upon.

ARTICLE 9
REPRESENTATIONS AND WARRANTIES OF ELIGIBLE SUBSIDIARIES

Each Eligible Subsidiary shall be deemed by the execution and delivery of its Election to Participate to have represented and warranted as of the date thereof that:

Section 9.01. *Corporate Existence and Power.* It is a company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and is a Wholly−Owned Consolidated Subsidiary.

Section 9.02. *Corporate Governmental Authorization; No Contravention.* The execution and delivery by it of its Election to Participate and its Notes (if any), and the performance by it of this Agreement and its Notes (if any), are within its corporate powers, have been duly authorized by all necessary company action, require no action by or in respect of, or filing with, any governmental body, agency or official (other than those already obtained or made and in full force and effect) and do not contravene, or constitute a default under, any provision of applicable law or regulation or of its certificate or incorporation, articles of incorporation (or the equivalent organizational documents) or by−laws (or the equivalent governing documents) or of any agreement, judgment,

injunction, order, decree or other instrument binding upon the Company or such Eligible Subsidiary or result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries.

Section 9.03. *Binding Effect.* This Agreement constitutes a valid and binding agreement of such Eligible Subsidiary and its Notes, when and if executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of such Eligible Subsidiary, in each case enforceable in accordance with its terms except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.

Section 9.04. *Taxes.* Except as disclosed in such Election to Participate, there is no income, stamp or other tax of any country, or any taxing authority thereof or therein, imposed by or in the nature of withholding or otherwise, which is imposed on any payment to be made by such Eligible Subsidiary pursuant hereto or on its Notes (if any), or is imposed on or by virtue of the execution, delivery or enforcement of its Election to Participate or of its Notes (if any).

ARTICLE 10
MISCELLANEOUS

Section 10.01. *Notices.* All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, facsimile transmission or similar writing) and shall be given to such party: (a) in the case of the Company, the Company Guarantor or the Administrative Agent, at its address or facsimile number set forth on the signature pages hereof, (b) in the case of any Lender, at its address or facsimile number set forth in its Administrative Questionnaire, (c) in the case of any Eligible Subsidiary, to it in care of the Company or (d) in the case of any party, such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Company. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this Section; *provided* that notices to the Administrative Agent or the Issuing Lender under Article 2 or Article 8 shall not be effective until received.

Section 10.02. *No Waivers.* No failure or delay by the Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of

any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 10.03. *Expenses; Indemnification.* (a) The Company shall pay (i) all reasonable out−of−pocket expenses of the Administrative Agent and the Joint Arrangers, including reasonable fees and disbursements of special counsel for the Administrative Agent, in connection with the preparation and administration of this Agreement, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default hereunder and (ii) if an Event of Default occurs, all out−of−pocket expenses incurred by the Administrative Agent, the Issuing Lender and each Lender, including (without duplication) the fees and disbursements of outside counsel and the allocated cost of inside counsel, in connection with such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Company agrees to indemnify the Administrative Agent, the Issuing Lender, each Joint Arranger and each Lender, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "**Indemnitee**") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or overtly threatened relating to or arising out of this Agreement or any actual or proposed use of proceeds of Loans hereunder; *provided* that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction. Each Indemnitee agrees to notify the Company promptly of any proceeding in respect of which it will seek indemnification hereunder; *provided*, however, that the failure of any Indemnitee so to notify the Company shall not affect the rights of such Indemnitee hereunder; but *provided, further*, that the Company shall be entitled to assert by separate action against such Indemnitee any claim for actual damages incurred by the Company as a consequence of such failure by such Indemnitee to give such notice. In the event any action, suit or proceeding is brought against any Indemnitee by any Person other than a Lender, the Administrative Agent, the Issuing Lender or any of their respective affiliates (a "**third party action**"), (i) the Company shall be entitled, upon written notice to such Indemnitee, to assume the investigation and defense thereof with counsel reasonably satisfactory to such Indemnitee unless (x) the employment by such Indemnitee of separate counsel has been specifically approved by the Company in writing or (y) the designated parties to the proceeding in which such claim, demand, action or cause of action has been asserted include (or are reasonably likely to include) both such Indemnitee and any of the Obligor, or any Affiliate (each, a "**designated related party**") and in the opinion of counsel for such Indemnitee there exist one or more defenses that may be available to such

Indemnitee which are in conflict with those available to any designated related party, (ii) such Indemnitee shall be entitled to employ separate counsel and to participate in the investigation and defense of any such third party action (whether or not the Company has elected to assume such investigation and defense as contemplated by clause (i) above) and (iii) the fees and expenses of any separate counsel employed by any Indemnitee in connection with any such third party action shall be borne by such Indemnitee except (x) under the circumstances contemplated by subclauses (x) and (y) of clause (i) above or (y) if such Indemnitee has reasonably concluded that the Company is failing actively and diligently to defend such third party action (whether or not the Company has elected to assume such investigation and defense as contemplated by clause (i) above). The Company shall not settle or compromise any action or claim without the relevant Indemnitee's consent if the settlement or compromise involves any performance by, or adverse admission of, such Indemnitee.

Section 10.04. *Sharing of Set−Offs.* Each Lender agrees that if it shall, by exercising any right of set−off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Loan and Letter of Credit Liabilities held by it which is greater than the proportion received by any other Lender in respect of the aggregate amount of principal and interest due with respect to any Loan and Letter of Credit Liability held by such other Lender, the Lender receiving such proportionately greater payment shall purchase such participations in the Loans and Letter of Credit Liabilities held by the other Lenders, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Loans and Letter of Credit Liabilities held by the Lenders shall be shared by the Lenders pro rata; *provided* that nothing in this Section shall impair the right of any Lender to exercise any right of set−off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Obligors other than its indebtedness hereunder. Each Obligor agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Loan and Letter of Credit Liability, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set−off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of such Obligor in the amount of such participation.

Section 10.05. *Amendments and Waivers.* Except as explicitly set forth in Section 2.12(b), any provision of this Agreement or the Notes (if any) may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by each Obligor and the Required Lenders (and, if the rights or duties of the Administrative Agent or the Issuing Lender are affected thereby, by the Administrative Agent and the Issuing Lender, respectively); *provided* that, except as explicitly set forth in Section 2.12(b), no such amendment or waiver shall, (x) (i) increase or decrease the Commitment of any Lender (except for a ratable

decrease in the Commitments of all Lenders) or subject any Lender to any additional obligation unless signed by such Lender, (ii) reduce the principal of or rate of interest on any Loan or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder unless signed by each Lender directly affected thereby or (iii) postpone the date fixed for any payment of principal of or interest on any Loan or for reimbursement in respect of any Letter of Credit or any fees hereunder or for any scheduled reduction or termination of any Commitment unless signed by each Lender directly affected thereby or (y) unless signed by all the Lenders (i) release any Guarantor from any of its obligations under Article 11, (ii) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans or the aggregate amount of the Letter of Credit Liabilities, or the number of Lenders, which shall be required for the Lenders or any of them to take any action under this Section or any other provision of this Agreement or (iii) amend or waive the provisions of Section 10.04, this Section 10.05, Section 10.06(a) or the definition of Required Lenders.

Increases in Commitments and related modifications pursuant to Section 2.20 are not amendments subject to the provisions of this Section.

Section 10.06. *Successors and Assigns.* (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, except that none of the Obligors may assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all Lenders.

(b) Any Lender may at any time grant to one or more banks or other institutions (each a "**Participant**") participating interests in its Commitments or any or all of its Loans and Letter of Credit Liabilities. In the event of any such grant by a Lender of a participating interest to a Participant, whether or not upon notice to each Obligor and the Administrative Agent, such Lender shall remain responsible for the performance of its obligations hereunder, and each Obligor and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of the Borrowers hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver of this Agreement described in Section 10.05 without the consent of the Participant. Each Obligor agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Section 2.18 and Article 8 with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect

for purposes of this Agreement only to the extent of and as a participating interest granted in accordance with this subsection (b).

(c) With the prior written consent of the Administrative Agent, the Issuing Lender and, so long as no Event of Default has occurred and is continuing, the Company, which consent shall not be unreasonably withheld (*provided* that if an Assignee is an affiliate of such transferor Lender or was a Lender immediately prior to such assignment or an Approved Fund, no such consent from the Company shall be required), any Lender may at any time assign to one or more banks or other institutions (each an "**Assignee**") all, or a proportionate part (equivalent to an initial Commitment in an amount of not less than $10,000,000) of all, of its rights and obligations under this Agreement and the Notes (if any), and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit F hereto; *provided* that such assignment may, but need not, include rights of the transferor Lender in respect of outstanding Competitive Bid Loans. Upon execution and delivery of such instrument and payment by such Assignee to such transferor Lender of an amount equal to the purchase price agreed between such transferor Lender and such Assignee, such Assignee shall be a Lender party to this Agreement and shall have all the rights and obligations of a Lender with Commitments as set forth in such instrument of assumption, and the transferor Lender shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor Lender, the Administrative Agent and the Borrowers shall make appropriate arrangements so that, if required, a new Note is issued to the Assignee. In connection with any such assignment, the transferor Lender shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of $3,500. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall deliver to the Company and the Administrative Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 8.04.

(d) Any Lender may at any time assign all or any portion of its rights under this Agreement and its Note (if any) to a Federal Reserve Bank. No such assignment shall release the transferor Lender from its obligations hereunder.

(e) No Assignee, Participant or other transferee of any Lender's rights shall be entitled to receive any greater payment under Section 8.03 or 8.04 than such Lender would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Company's prior written consent or by reason of the provisions of Section 8.02, 8.03 or 8.04 requiring such Lender to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

(f) Notwithstanding anything to the contrary contained herein, any Lender (a "**Granting Lender**") may grant to a special purpose funding vehicle (an "**SPC**") sponsored by a Granting Lender and identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Company, the option to provide to the Company all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; *provided* that (i) nothing herein shall constitute a commitment by any SPC to make any Loan and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitments of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary in this Section 10.06, any SPC may (i) with notice to, but without the prior written consent of, the Company and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Lender or to any financial institution providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans; *provided* that any such assignment to a financial institution other than to the Granting Lender shall require the consent of the Company and the Administrative Agent, which consent shall be provided in the sole and absolute discretion of the Company or the Administrative Agent, as the case may be, and (ii) disclose any non−public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC; provided that any such Person (other than a rating agency) signs a confidentiality agreement which contains substantially the same provisions as set forth in Section 10.11. As this Section 10.06(f) applies to any particular SPC, this Section 10.06(f) may not be amended without the written consent of such SPC. Additionally, the Company shall not be subject to any increased costs pursuant to Section 8.03, indemnity claims pursuant to Section 10.03(b) or increased taxes pursuant to Section 8.04 (collectively, "**Increased Costs**") with respect to an SPC if the Company would not have been subjected to such Increased Costs had the Loan not been funded (directly or indirectly) by the SPC and any payment for any such Increased Costs shall be limited to the amounts that the Company would have been required to pay to the Granting Lender if such Loan had not been so funded by the SPC.

Section 10.07. *Collateral.* Each of the Lenders represents to the Administrative Agent and each of the other Lenders that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

Section 10.08. *Governing Law, Submission to Jurisdiction .* This Agreement and each Note (if any) shall be governed by and construed in accordance with the laws of the State of New York. Each Obligor hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. Each Obligor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

Section 10.09. *Counterparts; Integration; Effectiveness.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective upon receipt by the Administrative Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, telex, facsimile or other written confirmation from such party of execution of a counterpart hereof by such party).

Section 10.10. *WAIVER OF JURY TRIAL.* EACH OBLIGOR, THE AGENTS AND THE LENDERS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 10.11. *Confidentiality.* Each of the Administrative Agent and each Lender agrees to keep any information delivered or made available by any Obligor pursuant to this Agreement confidential from anyone other than persons employed or retained by the Administrative Agent or such Lender who are engaged in evaluating, approving, structuring or administering the credit facility contemplated hereby; *provided* that nothing herein shall prevent the Administrative Agent or any Lender from disclosing such information (a) to any persons employed or retained by the Administrative Agent or any other Lender who are engaged in evaluating, approving, structuring or administering the credit facility contemplated hereby, (b) to any other Person if reasonably incidental to

the administration of the credit facility contemplated hereby so long as such Person agrees to keep such information confidential in accordance with the provisions of this Section 10.11, (c) upon the order of any court or administrative agency, (d) upon the request or demand of any regulatory agency or authority, (e) which had been publicly disclosed other than as a result of a disclosure by the Administrative Agent or any Lender prohibited by this Agreement or, to the knowledge of the Administrative Agent or such Lender, by any other Person as a result of a disclosure by such Person in violation of an obligation of confidentiality, (f) to the extent necessary, in connection with any litigation to which the Administrative Agent, any Lender or its subsidiaries or Parent may be a party, (g) to the extent necessary in connection with the exercise of any remedy hereunder, (h) to such Lender's or the Administrative Agent's legal counsel and independent auditors or (i) subject to an agreement containing provisions substantially similar to those contained in this Section, to (i) any actual or proposed Participant or Assignee or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any Borrower and its obligations. Each Lender and the Administrative Agent shall give the Company prompt notice of any disclosure made by such Lender or the Administrative Agent, as the case may be, as permitted pursuant to clauses (c), (d) (other than any such disclosure made by any Lender to bank examiners during any examination of such Lender conducted in the ordinary course by such examiners) or (f) of this Section, but solely to the extent permitted by law and, in the case of any disclosure permitted pursuant to clause (f), solely to the extent that the interests of such Lender or the Administrative Agent, as the case may be, and the applicable Obligor in the relevant litigation are not adverse in any material respect.

Section 10.12. *Conversion of Currencies.* (a) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto (including any Eligible Subsidiary) agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the first currency could be purchased with such other currency on the Euro−Currency Business Day immediately preceding the day on which final judgment is given.

(b) The obligations of each Borrower in respect of any sum due to any party hereto or any holder of the obligations owing hereunder (the "**Applicable Creditor**") shall, notwithstanding any judgment in a currency (the "**Judgment Currency**") other than the currency in which such sum is stated to be due hereunder (the "**Agreement Currency**"), be discharged only to the extent that, on the Euro−Currency Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the

Applicable Creditor in the Agreement Currency, such Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss. The obligations of the Borrowers contained in this Section 10.12 shall survive the termination of this Agreement and the payment of all other amounts owing hereunder.

Section 10.13. *European Economic and Monetary Union.* (a) Definitions. In this Section 10.13 and in each other provision of this Agreement to which reference is made in this Section 10.13 expressly or impliedly, the following terms have the meanings given to them in this Section 10.13:

"**Euro Unit**" means the currency unit of the Euro;

"**National Currency Unit**" means the unit of currency (other than a Euro Unit) of a Participating Member State;

(b) Redenomination and Eligible Currencies. On the date on which any state that is not a Participating Member State on the date hereof becomes a Participating Member State, each obligation under this Agreement of a party to this Agreement which has been denominated in the National Currency Unit of such Participating Member State shall be redenominated into the Euro Unit in accordance with EMU Legislation.

(c) Loans. Any Loan in the currency of a state that becomes a Participating Member State after the date hereof shall be made in the Euro Unit after the date on which such state becomes a Participating Member State.

(d) Payments by the Administrative Agent to the Lenders. Any amount payable by the Administrative Agent to the Lenders under this Agreement in the currency of a state that becomes a Participating Member State after the date hereof shall be paid in the Euro Unit after the date on which such state becomes a Participating Member State.

Section 10.14. *USA Patriot Act.* Each Lender subject to the Act hereby notifies the Borrowers that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107−56 (signed into law October 26, 2001)) (the "**Act**"), it is required to obtain, verify and record information that identifies each Borrower, which information includes the names and addresses of each Borrower and other information that will allow such Lender to identify each Borrower in accordance with the Act.

ARTICLE 11
GUARANTY

Section 11.01. *The Guaranty.* Each Guarantor hereby unconditionally guarantees the full and punctual payment (whether at stated maturity, upon acceleration or otherwise) of the principal of and interest on each Loan made to each Borrower pursuant to this Agreement, and the full and punctual payment of all other amounts payable by each Borrower under this Agreement (including any interest, fees, costs, expenses and other obligations that accrue after the commencement of any bankruptcy, insolvency, reorganization or similar case or proceeding, or which would have accrued but for such case, proceeding or other action and whether or not such interest, fees, costs, expenses or other obligations are allowed or allowable as a claim in such case, proceeding or other action). Upon failure by any Borrower to pay punctually any such amount, each Guarantor (in case of the obligations of the Company, only the Company Guarantor) shall forthwith on demand pay the amount not so paid at the place and in the manner and currency specified in this Agreement.

Section 11.02. *Guaranty Unconditional.* The obligations of each Guarantor hereunder shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(i) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of any Borrower under this Agreement or any Note, by operation of law or otherwise;

(ii) any modification or amendment of or supplement to this Agreement or any Note;

(iii) any release, impairment, non−perfection or invalidity of any direct or indirect security for any obligation of any Borrower under this Agreement or any Note;

(iv) any change in the corporate existence, structure or ownership of any Borrower, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Borrower or its assets or any resulting release or discharge of any obligation of any Borrower contained in this Agreement or any Note;

(v) the existence of any claim, set−off or other rights which either Guarantor may have at any time against any Borrower, the Administrative Agent, the Issuing Lender, any Lender or any other Person, whether in connection herewith or any unrelated transactions, *provided* that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim;

(vi) any invalidity or unenforceability relating to or against any Borrower for any reason of this Agreement or any Note, or any provision of applicable law or regulation purporting to prohibit the payment by any Borrower of the principal of or interest on any Note or any other amount payable by any Borrower under this Agreement; or

(vii) any other act or omission to act or delay of any kind by any Borrower, the Administrative Agent, the Issuing Lender, any Lender or any other Person or any other circumstance whatsoever which might, but for the provisions of this paragraph, constitute a legal or equitable discharge of or defense to the Guarantor's obligations hereunder.

Section 11.03. *Discharge Only upon Payment in Full; Reinstatement in Certain Circumstances.* Each Guarantor's obligations hereunder shall remain in full force and effect until the Commitments shall have terminated, the principal of and interest on the Loans and all other amounts payable by the Borrowers under this Agreement shall have been paid in full and no Letter of Credit Liabilities remain outstanding. If at any time any payment of the principal of or interest on any Loan, any reimbursement obligation or any other amount payable by any Borrower under this Agreement is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of such Borrower or otherwise, each Guarantor's obligations hereunder with respect to such payment shall be reinstated as though such payment had been due but not made at such time.

Section 11.04. *Waiver by the Guarantor.* Each Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against any Borrower or any other Person.

Section 11.05. *Subrogation.* Upon making any payment with respect to any Borrower hereunder, each applicable Guarantor shall be subrogated to the rights of the payee against such Borrower with respect to such payment; *provided* that such Guarantor shall not enforce any payment by way of subrogation until all amounts of principal of and interest on the Loans and all other amounts payable by such Borrower under this Agreement have been paid in full and no Letter of Credit Liabilities remain outstanding.

Section 11.06. *Stay of Acceleration.* If acceleration of the time for payment of any amount payable by any Borrower under this Agreement or the Notes (if any) is stayed upon the insolvency, bankruptcy or reorganization of such Borrower, all such amounts otherwise subject to acceleration under the terms of this Agreement shall nonetheless be payable by each applicable Guarantor hereunder forthwith on demand by the Agent made at the request of the requisite proportion of the Lenders specified in Section 6.01 of this Agreement.

Section 11.07. *Limitation of Liability*. Notwithstanding the other provisions of this Article 11, the obligations of each Guarantor hereunder shall be limited to an aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of applicable law of any State of the United States of America.

Section 11.08. *Notice of Commitment Termination.* The Company hereby gives notice that the Company wishes to terminate the commitments under the Existing Credit Agreement, effective as of the Effective Date. Each Lender that is a party to the Existing Credit Agreement, by its execution hereof, waives any requirement of prior notice set forth therein as a condition to the right of the Company to terminate the commitments thereunder.

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

THE ESTÉE LAUDER COMPANIES INC., as Borrower and Guarantor

By: /s/Terence R. Stack
Name: Terence R. Stack
Title: Vice President – Corporate Treasurer

ESTÉE LAUDER NV, as Eligible Subsidiary

By: /s/ Richard W. Kunes
Name: Richard W. Kunes
Title: Director

By: /s/ Malcolm B. Bond
Name: Malcolm B. Bond
Title: Director

ESTEE LAUDER INC., as Company Guarantor

By: /s/ Terence R. Stack
Name: Terence R. Stack
Title: Vice President – Corporate Treasurer

JPMORGAN CHASE BANK, N.A., as Administrative Agent and Lender

By: /s/ Tara Lynne Moore
Name: Tara Lynne Moore
Title: Vice President

CITIBANK, N.A.

By: /s/ Chris Snider
Name: Chris Snider
Title: Vice President

Bank of America, N.A.

By: /s/ J. Casey Cosgrove
Name: J. Casey Cosgrove
Title: Vice President

Bank of Tokyo – Mitsubishi UFJ Trust Company

By: /s/ Lillian Kim
Name: Lillian Kim
Title: Vice President

BNP Paribas

By: /s/ Simone Vinocour
Name: Simon Vinocour
Title: Director

By: /s/ Berangere Allen
Name: Berangere Allen
Title: Vice President

William Street Commitment Corporation (recourse only to the assets of William Street Commitment Corporation)

By: /s/ Mark Walton
Name: Mark Walton
Title: Assistant Vice−President

HSBC Bank USA, N.A.

By: /s/ Thomas A. Foley
Name: Thomas A. Foley
Title: Senior Vice President

The Royal Bank of Scotland plc

By: /s/ Belinda Tucker
Name: Belinda Tucker
Title: Senior Vice President

Banco Sandander Central Hispano – New York

By: /s/ Ignacio Campillo
Name: Ignacio Campillo
Title: Executive Director Grupo Santander

By: /s/ L. Ruben Perez−Romo
Name: L. Ruben Perez−Romo
Title: Vice President Global Corporate Banking

MELLON BANK, N.A.

By: /s/ Daniel J. Lenckos
Name: Daniel J. Lenckos
Title: First Vice President

US BANK NATIONAL ASSOCIATION

By: /s/ Gregory L. Dryder
Name: Gergory L. Dryder
Title: Sr. Vice President

State Street Bank and Trust Company

By: /s/ M. H. Carey
Name: M.H. Carey
Title: Vice President

BANCA NAZIONALE DEL LAVORO SPA, NEW YORK BRANCH

By: /s/ Donna La Spina
Name: Donna La Spina
Title: Relationship Manager

By: /s/ Luigi Concordia
Name: Luigi Concordia
Title: Senior Manager

ROYAL BANK OF CANADA

By: /s/ Dustin Cravin
Name: Dustin Cravin
Title: Attorney−in−Fact

Intesa Aanpaolo S.p.A., New York Branch

By: /s/ D. Mara Lowenstein
Name: D. Mara Lowenstein
Title: General Counsel and Vice President

By: /s/ Renato Carducci
Name: Renato Carducci
Title: General Manager

COMMITMENT SCHEDULE

LENDER		COMMITMENT
JPMORGAN CHASE BANK, N.A.	$	90,000,000
CITIBANK, N.A.	$	90,000,000
BANK OF AMERICA, N.A.	$	75,000,000
BANK OF TOKYO – MITSUBISHI UFJ TRUST COMPANY	$	75,000,000
BNP PARIBAS	$	75,000,000
WILLIAM STREET COMMITMENT CORPORATION	$	50,000,000
HSBC BANK USA, N.A.	$	50,000,000
ROYAL BANK OF SCOTLAND PLC	$	50,000,000
BANCO SANTANDER CENTRAL HISPANO – NEW YORK	$	30,000,000
MELLON BANK, N.A.	$	30,000,000
U.S. BANK NATIONAL ASSOCIATION	$	30,000,000
STATE STREET BANK AND TRUST COMPANY	$	30,000,000
BANCA NAZIONALE DEL LAVORO SPA, NEW YORK BRANCH	$	25,000,000
ROYAL BANK OF CANADA	$	25,000,000
INTESA SANPAOLO S.P.A., NEW YORK BRANCH	$	25,000,000
TOTAL	$	750,000,000

PRICING SCHEDULE

Each of "**Facility Fee Rate**" and "**Euro−Currency Margin**" means, for any day, the rate per annum set forth below in the row opposite such term and in the column corresponding to the Pricing Level that applies on such day:

Pricing	Level I	Level II	Level III	Level IV	Level V
Facility Fee Rate:	3.5 bps	4.5 bps	5 bps	6 bps	8 bps
Euro−Currency Margin:					
Utilization d 50%	9.0 bps	10.5 bps	15.0 bps	19.0 bps	27.0 bps
Utilization > 50%	14	15.5 bps	20.0 bps	24.0 bps	32.0 bps

For purposes of this Schedule, the following terms have the following meanings:

"Level I Status" exists at any date if, at such date, the Company's Unsecured Long−Term Debt is rated AA− or higher by S&P or Aa3 or higher by Moody's.

"Level II Status" exists at any date if, at such date, (i) the Company's Unsecured Long−Term Debt is rated A+ or higher by S&P or A1 or higher by Moody's, and (ii) Level I Status does not exist.

"Level III Status" exists at any date if, at such date, (i) the Company's Unsecured Long−Term Debt is rated A or higher by S&P or A2 or higher by Moody's, and (ii) neither Level I Status nor Level II Status exists.

"Level IV Status" exists at any date if, at such date, (i) the Company's Unsecured Long−Term Debt is rated A− or higher by S&P or A3 or higher by Moody's, and (ii) neither Level I Status, Level II Status nor Level III Status exists.

"Level V Status" exists at any date if, at such date, no other Status applies.

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

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

"Status" refers to the determination of which of Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status exists at any date.

"Utilization" means, at any date, the percentage equivalent of a fraction (i) the numerator of which is the aggregate outstanding principal amount of the loans at such date and the face amount of Letters of Credit outstanding under the

Revolving Credit Facility and (ii) the denominator of which is the aggregate amount of the commitments at such date under the Revolving Credit Facility; *provided* that if any loans remain outstanding following the termination of the commitments under the Revolving Credit Facility, Utilization will be deemed to be 100%.

The credit ratings to be utilized for purposes of this Schedule are those assigned to the senior unsecured long−term debt securities of the Company without third−party credit enhancement (the "Company's Unsecured Long−Term Debt"), and any ratings assigned to any other debt security of the Company shall be disregarded. The ratings in effect for any day are those in effect at the close of business on such day. In the case of split ratings from S&P and Moody's, the rating to be used to determine the applicable Status is the higher of the two (*e.g.*, AA−/A1 results in Level I Status); *provided* that if the split is more than one full rating category, the rating one rating category below the highest rating shall be used (*e.g.*, A/Baa1 results in Level IV Status and AA−/Baa1 results in Level II Status).

SCHEDULE 4.05

On March 30, 2005, the United States District Court for the Northern District of California entered into a Final Judgment approving the settlement agreement we entered into in July 2003 with the plaintiffs, the other Manufacturer Defendants (as defined below) and the Department Store Defendants (as defined below) in a consolidated class action lawsuit that had been pending in the Superior Court of the State of California in Marin County since 1998. On April 29, 2005, notices of appeal were filed by representatives of two members of the purported class of consumers. One of those appeals has since been withdrawn. If the appeal is resolved satisfactorily, the Final Judgment will result in the plaintiffs' claims being dismissed, with prejudice, in their entirety in both the Federal and California actions. There has been no finding or admission of any wrongdoing by us in this lawsuit. We entered into the settlement agreement solely to avoid protracted and costly litigation. In connection with the settlement agreement, the defendants, including the Company, will provide consumers with certain free products and pay the plaintiffs' attorneys' fees. To meet its obligations under the settlement, we took a special pre−tax charge of $22.0 million, or $13.5 million after−tax, equal to $.06 per diluted common share in the fourth quarter of fiscal 2003. At December 31, 2006, the remaining accrual balance was $16.3 million. The charge did not have a material adverse effect on our consolidated financial condition. In the Federal action, the plaintiffs, purporting to represent a class of all U.S. residents who purchased prestige cosmetics products at retail for personal use from eight department stores groups that sold such products in the United States (the "Department Store Defendants"), alleged that the Department Store Defendants, the Company and eight other manufacturers of cosmetics (the "Manufacturer Defendants") conspired to fix and maintain retail prices and to limit the supply of prestige cosmetics products sold by the Department Store Defendants in violation of state and Federal laws.
The plaintiffs sought, among other things, treble damages, equitable relief, attorneys' fees, interest and costs.

In 1999, the Office of the Attorney General of the State of New York (the "State") notified the Company and ten other entities that they had been identified as potentially responsible parties ("PRPs") with respect to the Blydenburgh landfill in Islip, New York. Each PRP may be jointly and severally liable for the costs of investigation and cleanup, which the State estimated in 2006 to be approximately $19.7 million for all PRPs. In 2001, the State sued other PRPs (including Hickey's Carting, Inc., Dennis C. Hickey and Maria Hickey, collectively the "Hickey Parties"), in the U.S. District Court for the Eastern District of New York to recover such costs in connection with the site, and in September 2002, the Hickey Parties brought contribution actions against the Company and other Blydenburgh PRPs. These contribution actions seek to recover, among other things, any damages for which the Hickey Parties are found

liable in the State's lawsuit against them, and related costs and expenses, including attorneys' fees. In June 2004, the State added the Company and other PRPs as defendants in its pending case against the Hickey Parties. In April 2006, the Company and other defendants added numerous other parties to the case as third−party defendants. The Company and certain other PRPs have engaged in settlement discussions which to date have been unsuccessful. Settlement negotiations with the new third−party defendants, the State, the Company and other defendants began in July 2006. We have accrued an amount which we believe would be necessary to resolve our share of this matter. If settlement discussions are not successful, we intend to vigorously defend the pending claims. While no assurance can be given as to the ultimate outcome, management believes that the resolution of the Blydenburgh matters will not have a material adverse effect on our consolidated financial condition.

On March 30, 2006, a purported securities class action complaint captioned Thomas S. Shin, et al. v. The Estee Lauder Companies Inc., et al., was filed against the Company and certain of our officers and directors (collectively the "Defendants") in the United States District Court for the Southern District of New York. The complaint alleged that the Defendants made statements during the period April 28, 2005 to October 25, 2005 in press releases, the Company's public filings and during conference calls with analysts that were materially false and misleading and that artificially inflated the price of the Company's stock. The complaint alleged claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The complaint also asserted that during the class period, certain executive officers and the trust for the benefit of a director sold shares of our Class A Common Stock at artificially inflated prices. Three additional purported securities class action complaints were subsequently filed in the United States District Court for the Southern District of New York containing similar allegations. On July 10, 2006, the Court consolidated these actions under the caption In re: Estee Lauder Companies Securities Litigation, appointed lead plaintiff, and approved the selection of lead counsel. A consolidated amended complaint addressing the same issues as the original complaint was filed on September 8, 2006. The Defendants filed a motion to dismiss the amended complaint on November 7, 2006 and the plaintiff responded to the motion on January 5, 2007. Defendants replied to plaintiff's response on February 5, 2007. The Defendants believe that the claims asserted in the consolidated amended complaint are without merit and they intend to defend the consolidated action vigorously.

On April 10, 2006, a shareholder derivative action complaint captioned Miriam Loveman v. Leonard A. Lauder, et al., was filed against certain of our officers and all of our directors as of that date (collectively the "Derivative Action Defendants") in the United States District Court for the Southern District of New York. The complaint alleges that the Derivative Action Defendants breached their fiduciary duties to the Company based on the same alleged course of conduct

identified in the complaint described above. On May 4, 2006, the derivative action was reassigned to the judge assigned to the consolidated securities action. On September 1, 2006, the Derivative Action Defendants filed a motion to dismiss. The plaintiff responded to the Derivative Action Defendants' motion to dismiss on December 11, 2006. The Derivative Action Defendants replied to plaintiff's response on January 29, 2007. The Derivative Action Defendants believe that this complaint is without merit and intend to defend the action vigorously.

EXHIBIT A

NOTE

New York, New York

_____ __ , 200_

For value received, _____, a _____ corporation (the "**Borrower**"), promises to pay to the order of _____ (the "**Lender**"), for the account of its Applicable Lending Office, the unpaid principal amount of each Loan made by the Lender to the Borrower pursuant to the Credit Agreement referred to below on the maturity date provided for in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates and in the currency provided for in the Credit Agreement. All such payments of principal and interest shall be made (i) if in dollars, in lawful money of the United States in Federal or other immediately available funds at the office of JPMorgan Chase Bank, N.A., 270 Park Avenue, New York, New York, 10017, or (ii) if in an Alternative Currency, in such funds as may then be customary for the settlement of international transactions in such Alternative Currency at the place specified for payment thereof pursuant to the Credit Agreement.

All Loans made by the Lender, the respective types and maturities and currencies thereof and all repayments of the principal thereof shall be recorded by the Lender and, if the Lender so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding may be endorsed by the Lender on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; *provided* that the failure of the Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is one of the Notes referred to in the Credit Agreement dated as of April 26, 2007 among The Estée Lauder Companies Inc., Estee Lauder Inc., the Eligible Subsidiaries referred to therein, the lenders listed on the signature pages thereof, Citibank, N.A. and Bank of America, N.A., as Syndication Agents, Bank of Tokyo−Mitsubishi UFJ Trust Company and BNP Paribas, as Documentation Agents, and JPMorgan Chase Bank, N.A., as Administrative Agent (as the same may be amended from time to time, the "**Credit Agreement**"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

Pursuant to the terms of the Credit Agreement, [the Company Guarantor][each Guarantor] has unconditionally guaranteed the full and punctual payment of all amounts payable under this Note.

This note shall be governed by, and construed in accordance with, the laws of the State of New York.

[THE BORROWER]

By: _____
Name:
Title:

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Type of Loan	Amount of Principal Repaid	Notation Made By

EXHIBIT B

FORM OF COMPETITIVE BID QUOTE REQUEST

[Date]

To: JPMorgan Chase Bank, N.A. (the "**Administrative Agent**")

From: [BORROWER]

Re: Credit Agreement (as amended, the "**Credit Agreement**") dated as of April 26, 2007 among The Estée Lauder Companies Inc., Estee Lauder Inc., the Eligible Subsidiaries referred to therein, the lenders listed on the signature pages thereof, Citibank, N.A. and Bank of America, N.A., as Syndication Agents, Bank of Tokyo−Mitsubishi UFJ Trust Company and BNP Paribas, as Documentation Agents, and JPMorgan Chase Bank, N.A., as Administrative Agent

We hereby give notice pursuant to Section 2.03 of the Credit Agreement that we request Competitive Bid Quotes for the following proposed Competitive Bid Borrowing(s):

Date of Borrowing: _____

Principal Amount(1)	Interest Period(2)	Currency
$		

Such Competitive Bid Quotes should offer a Competitive Bid [Margin] [Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.]

Terms used herein have the meanings assigned to them in the Credit Agreement.

[BORROWER]

By: _____
Name

(1) Amount must be (x) in the case of a Dollar−Denominated Borrowing, in a minimum aggregate Dollar Amount of $20,000,000 and any larger multiple of $1,000,000 and (y) in the case of an Alternative Currency Borrowing, in a minimum aggregate Dollar Amount of $5,000,000 and in integral multiples of 500,000 units of the applicable Alternative Currency.

(2) Not less than one month (LIBOR Auction) or not less than 7 days (Absolute Rate Auction), subject to the provisions of the definition of Interest Period.

EXHIBIT C

FORM OF INVITATION FOR COMPETITIVE BID QUOTES

To: [Name of Lender]

Re: Invitation for Competitive Bid Quotes to [BORROWER] (the "Borrower")

Pursuant to Section 2.03 of the Credit Agreement dated as of April 26, 2007 among The Estée Lauder Companies Inc., Estee Lauder Inc., the Eligible Subsidiaries referred to therein, the lenders listed on the signature pages thereof, Citibank, N.A. and Bank of America, N.A., as Syndication Agents, Bank of Tokyo−Mitsubishi UFJ Trust Company and BNP Paribas, as Documentation Agents, and the undersigned, as Administrative Agent, we are pleased on behalf of the Borrower to invite you to submit Competitive Bid Quotes to the Borrower for the following proposed Competitive Bid Borrowing(s):

Date of Borrowing: _____

Principal Amount(3)	Interest Period(4)	Currency
$		

Such Competitive Bid Quotes should offer a Competitive Bid [Margin] [Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.]

Please respond to this invitation by no later than 9:30 A.M. (New York City time) on [date].

JPMORGAN CHASE BANK, N.A., as Administrative Agent

By: _____
Authorized Officer

(3) Amount must be (x) in the case of a Dollar−Denominated Borrowing, in a minimum aggregate Dollar Amount of $20,000,000 and any larger multiple of $1,000,000 and (y) in the case of an Alternative Currency Borrowing, in a minimum aggregate Dollar Amount of $5,000,000 and in integral multiples of 500,000 units of the applicable Alternative Currency.

(4) Not less than one month (LIBOR Auction) or not less than 7 days (Absolute Rate Auction), subject to the provisions of the definition of Interest Period.

EXHIBIT D

FORM OF COMPETITIVE BID QUOTE

To: JPMorgan Chase Bank, N.A., as Administrative Agent

Re: Competitive Bid Quote to [BORROWER] (the "Borrower")

In response to your invitation on behalf of the Borrower dated _____ , 20__ , we hereby make the following Competitive Bid Quote on the following terms:

1. Quoting Lender: _____
2. Person to contact at Quoting Lender: _____
3. Date of Borrowing: _____*
4. We hereby offer to make Competitive Bid Loan(s) in the following principal amounts, for the following Interest Periods and at the following rates:

	Principal Amount**	**Currency**	**Interest Period*****	**Competitive Bid [Margin****]**	**[Absolute Rate*****]**
$					
$					

[*provided*, that the aggregate principal amount of Competitive Bid Loans for which the above offers may be accepted shall not exceed $_____.]**

* As specified in the related Invitation.
** Principal amount bid for each Interest Period may not exceed principal Dollar Amount requested. Specify aggregate limitation if the sum of the individual offers exceeds the amount the Lender is willing to lend. Bids must be made for amounts of (x) in the case of a Dollar−Denominated Borrowing, $5,000,000 or a larger multiple of $1,000,000 and (y) in the case of an Alternative Currency Borrowing, $500,000 or an integral multiple of 500,000 units of the applicable Alternative Currency.

(notes continued on following page)

We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the Credit Agreement dated as of April 26, 2007 among The Estée Lauder Companies Inc., Estee Lauder Inc., the Eligible Subsidiaries referred to therein, the lenders listed on the signature pages thereof, Citibank, N.A. and Bank of America, N.A., as Syndication Agents, Bank of Tokyo−Mitsubishi UFJ Trust Company and BNP Paribas, as Documentation Agents, and yourselves, as Administrative Agent, irrevocably obligates us to make the Competitive Bid Loan(s) for which any offer(s) are accepted, in whole or in part.

Very truly yours,

[NAME OF LENDER]

Dated: _____ By: _____
Authorized Officer

*** Not less than one month or not less than 7 days, as specified in the related Invitation. No more than five bids are permitted for each Interest Period.
**** Margin over or under the London Interbank Offered Rate determined for the applicable Interest Period. Specify percentage (to the nearest 1/10,000 of 1%) and specify whether "**PLUS**" or "**MINUS**".
***** Specify rate of interest per annum (to the nearest 1/10,000th of 1%).

EXHIBIT E−1

OPINION OF
COUNSEL FOR THE OBLIGORS

Please see the final opinion.

CONFIDENTIAL

JPMorgan Chase Bank, N.A.
as Administrative Agent (as defined in the Credit Agreement defined below)
270 Park Avenue
New York, NY 10017
United States of America

26 April 2007

Ladies and Gentlemen,

Re: **ESTEE LAUDER NV − $750,000,000 CREDIT AGREEMENT**

1. INTRODUCTION

In our capacity as special Belgian law counsel to Estée Lauder NV, a Belgian limited liability company (*naamloze vennootschap/société anonyme*) having its registered office at Nijverheidsstraat 15, 2260 Westerlo (Oevel), Belgium and registered under company number VAT BE 0403.768.933 RLP Turnhout (the "**Belgian Subsidiary**") we have been asked to issue an opinion letter (this "**Opinion Letter**") in connection with certain aspects of the transactions contemplated in a $750,000,000 Credit Agreement dated 26 April 2007 between The Estée Lauder Companies Inc., Estée Lauder Inc., the Eligible Subsidiaries referred to therein (which includes the Belgian Subsidiary), the lenders listed on the signature pages thereof, Citibank, N.A. and Bank of America, N.A., as Syndication Agents, Bank of Tokyo−Mitsubishi Trust Company and BNP Paribas, as Documentation Agents, and JPMorgan Chase Bank, N.A., as Administrative Agent (the "**Credit Agreement**").

This Opinion Letter is issued pursuant to paragraph (a) (ii) of Section 3.01 (*Closing*) of the Credit Agreement.

We have received instructions solely from and participated in discussions solely with the Belgian Subsidiary and the Company (as defined in the Credit Agreement).

2. SCOPE AND INTERPRETATION

2.1 This Opinion Letter is governed by, and shall be construed in accordance with, Belgian law, and the Belgian courts shall have exclusive jurisdiction regarding any matters relating to it.

2.2 This Opinion Letter is limited to Belgian law as applied by the Belgian courts as at the date of this Opinion Letter. We have made no investigation of the laws of any jurisdiction other than those of Belgium and we do not express or imply any opinion as to the laws of any jurisdiction other than those of Belgium. We do not express any opinion on European Community law as it affects any jurisdiction other than Belgium. We express no opinion on any matters of direct or indirect taxation. We express no opinion as to matters of fact.

2.3 Nothing in this Opinion Letter should be construed as implying that we are familiar with the affairs of any of the parties to the Opinion Documents, and this Opinion Letter is based solely on the investigations and subject to the limits stated herein. The opinions in this Opinion Letter are limited to the matters stated herein and do not extend to, and are not to be read as extending by implication to, any other matter in connection with the Opinion Documents, the transactions to which they relate or otherwise.

2.4 In this Opinion Letter, Belgian legal concepts are expressed in English terms and not in their original Dutch or French terms. The concepts concerned may not be identical to the concept described by the same English term under the laws of other jurisdictions.

2.5 Terms defined in the Credit Agreement shall, unless otherwise defined in this Opinion Letter, have the same meanings when used in this Opinion Letter. In addition, in this Opinion Letter "Opinion Documents" means:

(a) the Credit Agreement; and

(b) each of the Notes listed in the schedule to this Opinion Letter.

3. DOCUMENTS

For the purpose of this Opinion Letter we have examined the following documents:

3.1 a copy of an executed original of each of the Opinion Documents;

3.2 an excerpt of the deed of incorporation of the Belgian Subsidiary dated 18 June 1965, as published in the Annexes to the Belgian Official Gazette of 8 July 1965 (the "Excerpt of the Deed of Incorporation");

3.3 a copy of the coordinated articles of association of the Belgian Subsidiary as included in a notarial deed passed before notary public Vincent Vroninks on 30 June 2004, certified to be a true copy by the clerk of the commercial court of Turnhout on 18 April 2007 (the "Coordinated Articles of Association");

3.4 a copy of the minutes of the meeting of the board of directors of the Belgian Subsidiary held on 24 April 2007 (the "Board Resolutions");

3.5 a copy of the resolutions of the shareholders of the Belgian Subsidiary made on 24 April 2007, as filed with the commercial court of Turnhout (the "Shareholders Resolutions");

3.6 a written confirmation of the clerk of the commercial court of Turnhout dated 26 April 2007 confirming that the Belgian Subsidiary has, on the date thereof, not been declared bankrupt and has not entered into judicial composition (the "Certificate of Non−Bankruptcy");

3.7 a "complete excerpt of an incorporated enterprise" issued by the Crossroads Bank of Enterprises in relation to the Belgian Subsidiary and referring to the circumstances in existence on 26 April 2007 (the "CBE Excerpt"); and

3.8 all publications in the Belgian Official Gazette in relation to the Belgian Subsidiary made between 19 October 1999 and 25 April 2007 (the "Publications").

Except for the documents listed above, we have not examined any corporate records of the Belgian Subsidiary nor any contracts or any other documents entered into by or affecting, and have not made any other enquiries or searches concerning, any party to the Opinion Documents.

4. ASSUMPTIONS

For the purposes of this Opinion Letter, we have assumed (without making any investigation) that:

4.1 all documents submitted to us as originals are authentic and complete and all documents submitted to us in electronic form or as photocopies or facsimile transmitted copies or other copies of originals conform to the originals and all such originals are authentic and complete;

4.2 **all signatures, stamps and seals on any documents submitted to us are genuine;**

4.3 **none of the Opinion Documents have been amended, supplemented, terminated, rescinded or declared null and void by a court or any other person;**

4.4 **all search results obtained by electronic data transmission are reliable and the results of any printed or computer search of offices of public record are accurate;**

4.5 **the Excerpt of the Deed of Incorporation refers to a valid notary deed, the contents whereof are complete and accurate, which is not void or otherwise affected by any defects for which a court might dissolve the Belgian Subsidiary;**

4.6 **the principal establishment of the Belgian Subsidiary is located in Belgium;**

4.7 **the Belgian Subsidiary has not (i) resolved to enter into liquidation, (ii) been dissolved (*ontbonden/dissoute*), (iii) been annulled as a legal entity, (iv) filed an application for or been subject to proceedings for composition with creditors (*gerechtelijk akkoord/concordat judiciaire*), (v) filed an application for bankruptcy or been adjudicated bankrupt, or (vi) taken any similar action or been the subject of any similar proceedings in any applicable jurisdiction (although not constituting conclusive evidence, this assumption is supported by the Publications, the CBE Excerpt and the Certificate of Non−Bankruptcy);**

4.8 **the Belgian Subsidiary is not subject to measures such as the appointment of a provisional administrator (*voorlopig bewindvoerder/administrateur provisoire*) or sequestrator (*sekwester/sequester*);**

4.9 **the Coordinated Articles of Association have not been amended since 30 June 2004 (although not constituting conclusive evidence, this assumption is supported by the Publications);**

4.10 **the Belgian Subsidiary is not listed on the stock exchange in a Member State of the European Union;**

4.11 **the Board Resolutions and Shareholders Resolutions were duly passed, have not been amended, revoked, varied or declared null and void and remain in full force and effect and, as regards the Board Resolutions, the relevant meeting was properly convened, quorate and conducted in accordance with the Coordinated Articles of Association and Belgian law;**

4.12 **the directors of the Belgian Subsidiary have been duly appointed;**

4.13 **the directors of the Belgian Subsidiary who attended and voted at the said board meeting have complied with the applicable provisions of Articles 523 and 524 of the Belgian Company Code dealing with conflicts of interest of directors;**

4.14 **the directors of the Belgian Subsidiary have satisfied themselves that the entry into the Opinion Documents is of benefit to it, and their conclusions in this respect are not unreasonable;**

4.15 **each party to the Opinion Documents (other than the Belgian Subsidiary) has been duly incorporated and is validly existing as a legal entity and, to the extent relevant in such party's jurisdiction, is in good standing, under all laws applicable to that party;**

4.16 **each of the parties to the Opinion Documents (other than the Belgian Subsidiary) has all requisite power and capacity (corporate and otherwise) to enter into the Opinion Documents, and to perform its obligations thereunder;**

4.17 **the due authorisation, execution and delivery of the Opinion Documents by each of the parties thereto (other than the Belgian Subsidiary);**

4.18 **the proceeds of any drawing under the Credit Agreement will not be used for the purpose mentioned in Article 629 of the Belgian Company Code, *i.e.* in view of the direct or indirect acquisition of shares or profit certificates in the share capital of the borrower or security provider, or any certificates in relation thereto, or for the purposes of unlawful financial assistance under the laws of any other applicable jurisdiction;**

4.19 **none of the parties is or will be seeking to achieve any purpose not apparent from the Opinion Documents which might render any Opinion Document illegal or void;**

4.20 **there are no dealings, agreements or arrangements, actions or events between, by or involving any of the parties to the Opinion Documents, which terminate, modify or supersede any of the terms of the Opinion Documents, or which otherwise affect the opinions given in this Opinion Letter;**

4.21 **there are no contractual or similar restrictions binding upon any party to the Opinion Documents which would have any implication on the opinions given in this Opinion Letter;**

4.22 **the obligations of all parties under any applicable law other than Belgian law are binding upon them;**

4.23 the exercise and performance by any party to the Opinion Documents of its rights and obligations thereunder is lawful in the place of exercise or performance (other than Belgium); and

4.24 there are no provisions of the laws of any jurisdiction outside Belgium which would have any implication for the opinions given in this Opinion Letter and, insofar as the laws of any jurisdiction outside Belgium may be relevant, such laws have been or will be complied with.

5. OPINION

Based upon and subject to the assumptions, qualifications and limitations set out in this Opinion Letter and having regard to such legal considerations as we have deemed relevant and subject to any matters not disclosed to us, we express the following opinions insofar as Belgian law is concerned.

5.1 Status

The Belgian Subsidiary is a limited liability company (*naamloze vennootschap/ société anonyme*) duly incorporated and validly existing under the laws of Belgium.

5.2 Power and authority

The execution and delivery of the Opinion Documents and the transactions contemplated thereby (collectively, the "**Transactions**") are within the Belgian Subsidiary's corporate powers and have been duly authorised by all necessary corporate action.

5.3 Due execution and binding obligations

The Opinion Documents have been duly executed and delivered by the Belgian Subsidiary and constitutes a legal, valid, binding and enforceable obligation of the Belgian Subsidiary.

5.4 No conflicts

The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any federal or local governmental authority in Belgium, and (b) will not violate neither the Coordinated Articles of Association nor any corporate law or regulation applicable to Belgian companies generally.

6. QUALIFICATIONS

The opinions expressed in this Opinion Letter are subject to the following qualifications:

6.1 By the term "valid and binding" as used herein we do not mean every obligation of the relevant party will be given literal effect if sued upon. Our opinion is a reference to the legal character of obligations assumed by the relevant party and is not to be construed as a prediction of the outcome of litigation.

6.2 The term "enforceable" as used herein refers a type and form enforced by Belgian courts. The term does not address the extent to which a judgment obtained in a court outside Belgium will be enforceable in Belgium. It does not mean that each obligation will be enforced in accordance with its terms in every circumstance or in foreign jurisdictions or by or against third parties or that any particular remedy will be available.

6.3 The enforceability of any agreement or instrument may be limited by bankruptcy, insolvency, liquidation, reorganisation, fraudulent conveyance, misuse of rights, limitation and other laws of general application relating to or affecting the rights of creditors, and claims may be or become subject to set−off or counter−claim notwithstanding any provision to the contrary.

6.4 Any provision providing for an event of default, an acceleration or another early termination of any of the Opinion Documents by reason of the Belgian Subsidiary being subject to proceedings for a judicial composition with creditors (*gerechtelijk akkoord/concordat judiciaire*) may not be enforceable against the Belgian Subsidiary.

6.5 The enforceability in Belgium of the choice of New York law to govern the Opinion Documents is subject to (i) the mandatory application of rules of Belgian public policy and (ii) the possible application (in accordance with the convention of 19 June 1980 on the laws applicable to contractual obligations) by a Belgian court of mandatory provisions of the law of another country with which the subject matter of the relevant Opinion Document has a close link if and to the extent that, pursuant to the laws of such other country, such mandatory rules must be applied regardless of the law chosen by the parties.

6.6 Periods of grace for the performance of its obligations may be granted by the courts to a debtor who has acted in good faith.

6.7 Equitable remedies, such as injunction and specific performance, are discretionary and may not be awarded by the Belgian courts. In particular, such remedies may

not be available where damages are considered to be an adequate and appropriate remedy.

6.8 The taking of concurrent proceedings in more than one jurisdiction in which Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters or the Lugano Convention of 16 September 1988 on judicial competence and enforcement of judgments in civil and commercial matters is applicable may be precluded by the said Regulation or Convention.

6.9 In accordance with the Belgian rules and procedures set out in the Act of 16 July 2004 holding the Code of Private International Law (the "Code"), any final and conclusive judgment for a fixed and definite sum of money obtained in a competent United States court (a "Foreign Judgment") will be recognised and declared enforceable in Belgium (subject to submission of a copy of the Foreign Judgement that satisfies the conditions necessary for its authenticity, an original or certified copy of the introductory writ of summons or equivalent document if the Foreign Judgement was granted without the defendant appearing and any document showing that the Foreign Judgement is enforceable and has been notified to the defendant, or such other documents as the court deems sufficient) without investigation of the merits of the case, unless (i) the effect of recognising the Foreign Judgement or declaring it enforceable would be manifestly incompatible with public policy principles or public law in Belgium, (ii) due process has not been observed, (iii) the Foreign Judgement was obtained solely to circumvent the application of laws that mandatorily apply on the basis of Belgian conflict of law rules, (iv) the Foreign Judgement is not final, (v) the Foreign Judgement is incompatible with a previous judgement rendered either in Belgium or, if subject to potential recognition in Belgium, abroad, (vi) the claim resulting in the Foreign Judgement was introduced after the introduction of a claim in Belgium that is still pending in Belgium between the same parties and with the same subject−matter, (vii) the Belgian courts have exclusive jurisdiction to determine the matter, (viii) the court that rendered the Foreign Judgement obtained jurisdiction solely by reason of the presence in the jurisdiction of that court of the plaintiff or of assets not directly linked to the dispute, or (ix) the Foreign Judgement conflicts with the parties' rights in a collective insolvency procedure as provided in the Code.

6.10 The enforcement in Belgium of the Opinion Documents and any judgement is in relation thereto is subject to Belgian rules of civil procedure.

6.11 Belgian courts may demand a translation into the language of the proceedings of the Opinion Documents submitted to them.

6.12 Foreign plaintiffs may be required, at the request of a Belgian defendant, to post a bond to secure payment of any expenses or damages for which the foreign plaintiff might be liable, unless waived in an applicable treaty.

6.13 When a debtor is ordered to pay a sum of money exceeding €12,500 by judgment obtained in a Belgian court, or by foreign judgment recognised and rendered enforceable in Belgium (other than a foreign judgment falling within the scope of Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters or the Lugano Convention of 16 September 1988 on judicial competence and enforcement of judgments in civil and commercial matters), a registration duty of 3% is due on any sum of money which the debtor is ordered to pay. When due, this registration duty can by claimed from both the debtor and the creditor, it being understood that the maximum liability of the creditor is fixed at half of the sum for which judgment is given in its favour and of which payment is obtained and that, in order to secure payment of the registration tax (and possible fines), the Belgian tax administration has a priority right on the sums for which judgment is given.

6.14 A provision that a calculation, determination or certificate will be conclusive and binding will not apply to a calculation, determination or certificate which is given unreasonably, arbitrarily or without good faith or which is fraudulent or manifestly inaccurate and will not necessarily prevent judicial inquiry into the merits of any claim.

6.15 Failure to exercise a right may operate as a waiver of that right notwithstanding any provision to the contrary in the Opinion Documents.

6.16 Where only a part of a contract is enforceable, the enforceability of that part of the contract may be limited to circumstances in which the unenforceable portion is not an essential part of the contract.

6.17 We express no opinion regarding:

(a) the accuracy or completeness of any statements or warranties of fact set out in the Opinion Documents, which statements and warranties we have not independently verified;

(b) the enforceability against the Belgian Subsidiary in Belgium with respect to the following:

(i) the provisions of the Opinion Documents insofar as the application of post−maturity rates specified therein results in an increase of the rate of interest applicable prior to maturity of any

amount remaining unpaid after its maturity by more than 0.5% per annum on the total outstanding principal amount remaining unpaid after its maturity;

(ii) the provisions of the Opinion Documents insofar as they require payment of interest on past due interest amounts for a period of less than one calendar year, or unless a formal demand has been served or a specific agreement has been made in respect of interest amounts past due for a period of at least one calendar year;

(iii) the provisions of the Opinion Documents insofar as amounts due thereunder in case of prepayment exceed an amount equal to 6 months interest on the amount prepaid calculated at the rate applicable to such prepaid amount prior to prepayment;

(iv) the provisions of the Opinion Documents insofar as they require a party to reimburse attorneys' fees in connection with the enforcement of rights before Belgian courts;

(v) any provision requiring written amendments and waivers insofar as it suggests that oral or other modifications, amendments or waivers could not be effectively agreed upon or granted by or between the parties;

(vi) any waiver of statutory time bar of a claim if such waiver has been given before the relevant claim has become time barred; and

(vii) the enforceability of any provisions rendering the obligations assumed by a party not meaningful.

We do not assume any responsibility for updating this Opinion Letter as of any date subsequent to the date of this Opinion Letter, and assume no responsibility for advising you of any changes with respect to any matters described in this Opinion Letter or of the discovery subsequent to the date of this Opinion Letter of information not previously known to us pertaining to events occurring prior to the date of this Opinion Letter.

This Opinion Letter is issued by Baker & McKenzie, a Belgian limited liability company (*CVBA/SCRL*), and not by or on behalf of Baker & McKenzie International (a Swiss *Verein*) or any member firm thereof. In this Opinion Letter the expressions "*we*", "*us*", "*our*" and like expressions should be construed accordingly.

This Opinion Letter is issued for the benefit of the Administrative Agent in connection

with the transactions contemplated by the Opinion Documents. This Opinion Letter is not to be disclosed to any other person nor is it to be relied upon by any other person or for any other purpose or quoted or referred to in any public document without our prior written consent.

Yours faithfully,

BAKER & MCKENZIE CVBA

/s/Antoine De Raeve	/s/Alain Huyghe
Antoine De Raeve	Alain Huyghe

SCHEDULE
NOTES

1. A Note dated 26 April 2007 issued by the Belgian Subsidiary to the Royal Bank of Canada.

2. A Note dated 26 April 2007 issued by the Belgian Subsidiary to BNP Paribas.

EXHIBIT E−2

OPINION OF
COUNSEL FOR ESTÉE LAUDER NV

Please see the final opinion.

April 26, 2007

To the Lenders and the Agents
Referred to Below
c/o JPMorgan Chase Bank, N.A., as Administrative Agent
395 N Service Road
Melville, NY 11747

Ladies and Gentlemen:

We have acted as counsel to The Estée Lauder Companies Inc., a Delaware corporation (the "*Company*"), Estee Lauder Inc., a Delaware corporation (the "*Company Guarantor*" and together with the Company, the "*Delaware Obligors*") and Estée Lauder NV (the "*Belgian Subsidiary*" and, together with the Delaware Obligors, the "*Obligors*"), in connection with the preparation, authorization, execution and delivery of, and the consummation of the transactions contemplated by, the Credit Agreement dated as of April 26, 2007 among the Company, the Company Guarantor, the Belgian Subsidiary and the other Eligible Subsidiaries referred to therein, the lenders listed on the signature pages thereof (the "*Lenders*"), Citibank, N.A. and Bank of America, N.A., as Syndication Agents, Bank of Tokyo−Mitsubishi UFJ Trust Company and BNP Paribas, as Documentation Agents and JPMorgan Chase Bank, N.A., as Administrative Agent (the "*Credit Agreement*"). This opinion is being rendered to you at the request of our clients pursuant to *Section 3.01(a)* of the Credit Agreement. Capitalized terms defined in the Credit Agreement and used (but not otherwise defined) herein are used herein as so defined.

In so acting, we have examined originals or copies (certified or otherwise identified to our satisfaction) of the Credit Agreement, the Notes and such corporate records, agreements, documents and other instruments, and such certificates or comparable documents of public officials and of officers and representatives of each of the Delaware Obligors, and have made such inquiries of such officers and representatives, as we have deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed or photostatic copies and the authenticity of the originals of such latter documents. As to all questions of fact material to these opinions that have not been independently established, we have relied upon certificates or comparable documents of officers and representatives of the Obligors and upon the representations and warranties of the Obligors contained in the Credit Agreement. We have also assumed (i) the valid existence of the Belgian Subsidiary, (ii) that the Belgian Subsidiary has the requisite corporate power and authority to execute and deliver the Credit Agreement and the Notes and to perform its obligations thereunder and (iii) the due authorization, execution and delivery of the Credit Agreement and the Notes by the Belgian Subsidiary. As used herein, "to our knowledge" and "of which we are aware" mean the conscious awareness of facts or other information by any lawyer in our firm actively involved in the transactions contemplated by the Credit Agreement.

Based on the foregoing, and subject to the qualifications stated herein, we are of the opinion that:

1. Each of the Delaware Obligors is a corporation validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

2. Each of the Delaware Obligors has all requisite corporate power and authority to execute and deliver the Credit Agreement and, in the case of the Company, the Notes, and to perform its obligations thereunder. The execution, delivery and performance of the Credit Agreement by each of the Delaware Obligors and the Notes by the Company have been duly authorized by all necessary corporate action on the part of each of the Delaware Obligors. The Credit Agreement has been duly and validly executed and delivered by each of the Delaware Obligors, and the Notes have been duly and validly executed and delivered by the Company. Assuming the due authorization, execution and delivery of the Credit Agreement by the parties thereto other than the Delaware Obligors, the Credit Agreement and the Notes each constitute the legal, valid and binding obligation of each of the Obligors party thereto, enforceable against each of them in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity) and except that no opinion is expressed with respect to *Section 10.04* (*Sharing of Set−Offs*) of the Credit Agreement.

3. The execution and delivery of the Credit Agreement by each of the Delaware Obligors and of the Notes by the Company, and the performance by each of the Delaware Obligors of its obligations thereunder, will not conflict with, constitute a default under or violate (i) any of the terms, conditions or provisions of the Certificate of Incorporation or by−laws of either of the Delaware Obligors, (ii) any of the terms, conditions or provisions of any material document, agreement or other instrument to which either of the Delaware Obligors is a party or by which it is bound of which we are aware, (iii) any New York, Delaware corporate or federal law or regulation (other than federal and state securities or blue sky laws, as to which we express no opinion in this paragraph) or (iv) any judgment, writ, injunction, decree, order or ruling of any court or governmental authority binding on either of the Delaware Obligors of which we are aware.

4. The execution and delivery of the Credit Agreement and of the Notes by the Belgian Subsidiary, and the performance by the Belgian Subsidiary of its obligations thereunder, will not conflict with, constitute a default under or violate New York or federal law or regulation (other than federal and state securities or blue sky laws, as to which we express no opinion in this paragraph).

5. No consent, approval, waiver, license or authorization or other action by or filing with any New York, Delaware corporate or federal governmental authority is required in connection with the execution and delivery by any of the Obligors of the Credit Agreement or, in the case of the Company and the Belgian Subsidiary, the Notes, or the consummation by any of the Obligors of the transactions contemplated thereby or the performance by any of the Obligors of its obligations thereunder.

6. To our knowledge, there is no litigation, proceeding or governmental investigation pending or overtly threatened against either of the Delaware Obligors that relates to any of the transactions contemplated by the Credit Agreement or the Notes.

The opinions expressed herein are limited to the laws of the State of New York, the corporate laws of the State of Delaware and the federal laws of the United States, and we express no opinion as to the effect on the matters covered by this letter of the laws of any other jurisdiction.

The opinions expressed herein are rendered solely for your benefit in connection with the transactions described herein. Those opinions may not be used or relied upon by any other person, nor may this letter or any copies hereof be furnished to a third party, filed with a governmental agency, quoted, cited or otherwise referred to without our prior written consent.

Very truly yours,

/s/Weil Gotshal & Manges LLP

EXHIBIT F

ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT dated as of _____ , 20__ among <NAME OF ASSIGNOR> (the "**Assignor**"), <NAME OF ASSIGNEE> (the "**Assignee**"), [THE ESTÉE LAUDER COMPANIES INC.,] JPMORGAN CHASE BANK, N.A., as Administrative Agent (the "**Administrative Agent**") and JPMORGAN CHASE BANK, N.A., as Issuing Lender.

WHEREAS, this Assignment and Assumption Agreement (the "**Agreement**") relates to the Credit Agreement dated as of April 26, 2007 among The Estée Lauder Companies Inc., Estee Lauder Inc., the Eligible Subsidiaries referred to therein, the lenders listed on the signature pages thereof, Citibank, N.A. and Bank of America, N.A., as Syndication Agents, Bank of Tokyo−Mitsubishi UFJ Trust Company and BNP Paribas, as Documentation Agents, and JPMorgan Chase Bank, N.A., as Administrative Agent (as amended from time to time, the "**Credit Agreement**");

WHEREAS, as provided under the Credit Agreement, the Assignor has a Commitment to make Loans and participate in Letters of Credit in an aggregate principal Dollar Amount at any time outstanding not to exceed $_____;

WHEREAS, Committed Dollar Loans made to the Borrowers by the Assignor under the Credit Agreement in the aggregate principal amount of $_____ are outstanding at the date hereof;

[WHEREAS, Committed Alternative Currency Loans denominated in [currency] made to the Borrowers under the Credit Agreement in the aggregate principal Dollar Amount of $_____ are outstanding on the date hereof;] [Repeat this whereas clause for loans outstanding in more than one currency]

WHEREAS, Letters of Credit with a total Dollar Amount available for drawing thereunder of $_____ are outstanding at the date hereof;

WHEREAS, the Assignor proposes to assign to the Assignee all of the rights of the Assignor under the Credit Agreement in respect of a portion of its Commitment thereunder in a Dollars Amount equal to $_____ (the "**Assigned Amount**"), together with a corresponding portion of its outstanding Committed Dollar Loans [, Committed Alternative Currency Loans denominated in such currency] and Letter of Credit Liabilities, and the Assignee proposes to accept assignment of such rights and assume the corresponding obligations from the Assignor on such terms;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. Definitions. All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Credit Agreement.

SECTION 2. Assignment. The Assignor hereby assigns and sells to the Assignee all of the rights of the Assignor under the Credit Agreement to the extent of the Assigned Amount, and the Assignee hereby accepts such assignment from the Assignor and assumes all of the obligations of the Assignor under the Credit Agreement to the extent of the Assigned Amount, including the purchase from the Assignor of the corresponding portion of the principal amount of the Committed Facility Loans [and Committed Alternative Currency Loans denominated in [currency]] made by the Assignor outstanding at the date hereof. Upon the execution and delivery hereof by the Assignor, the Assignee, [the Company,] the Administrative Agent and each Issuing Lender and the payment of the amounts specified in Section 3 required to be paid on the date hereof (i) the Assignee shall, as of the date hereof, succeed to the rights and be obligated to perform the obligations of a Lender under the Credit Agreement with Commitments in an amount equal to the Assigned Amount, and (ii) the Commitments of the Assignor shall, as of the date hereof, be reduced by a like amount and the Assignor released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee. The assignment provided for herein shall be without recourse to the Assignor.

SECTION 3. Payments. As consideration for the assignment and sale contemplated in Section 2 hereof, the Assignee shall pay to the Assignor on the date hereof in Federal funds the amount heretofore agreed between them. It is understood that facility and Letter of Credit fees accrued to the date hereof in respect of the Assigned Amount are for the account of the Assignor and such fees accruing from and including the date hereof are for the account of the Assignee. Each of the Assignor and the Assignee hereby agrees that if it receives any amount under the Credit Agreement which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

SECTION 4. Consents. This Agreement is conditioned upon the consent of [the Company], the Issuing Lender and the Administrative Agent pursuant to Section 10.06(c) of the Credit Agreement. The execution of this Agreement by [the Company], the Issuing Lender and the Administrative Agent is evidence of this consent. The Company agrees, and agrees to cause each other applicable Borrower, if requested by the Assignee pursuant to Section 2.05 of the Credit Agreement, to execute and deliver a Note payable to the order of the Assignee to evidence the assignment and assumption provided for herein.

SECTION 5. Non−Reliance on Assignor. The Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of any Obligor, or the validity and enforceability of the obligations of any Obligor in respect of the

Credit Agreement or any Note. The Assignee acknowledges that it has, independently and without reliance on the Assignor, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the business, affairs and financial condition of each Obligor.

SECTION 6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 7. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

<NAME OF ASSIGNOR>

By: _____
Name:
Title:

<NAME OF ASSIGNEE>

By: _____
Name:
Title:

[THE ESTÉE LAUDER COMPANIES INC.]

By: _____
Name:
Title:

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

By: _____
Name:
Title:

EXHIBIT G

MANDATORY COSTS RATE

1. **Definitions**

In this Exhibit:

"**Act**" means the Bank of England Act of 1998.

The terms "**Eligible Liabilities**" and "**Special Deposits**" have the meanings ascribed to them under or pursuant to the Act or by the Bank of England (as may be appropriate), on the day of the application of the formula.

"**Fee Base**" has the meaning ascribed to it for the purposes of, and shall be calculated in accordance with, the Fees Regulations.

"**Fees Regulations**" means, as appropriate, either:

(a) the Banking Supervision (Fees) Regulations 1998; or

(b) such regulations as from time to time may be in force, relating to the payment of fees for banking supervision in respect of periods subsequent to March 31, 1999.

"**FSA**" means the Financial Services Authority.

Any reference to a provision of any statute, directive, order or regulation herein is a reference to that provision as amended or re−enacted from time to time.

2. **Calculation of the Mandatory Costs Rate**

The Mandatory Costs Rate is an addition to the interest rate on each Euro−Currency Loan or any other sum on which interest is to be calculated to compensate the Lenders for the cost attributable to each Euro−Currency Loan or such sum resulting from the imposition from time to time under or pursuant to the Act and/or by the Bank of England and/or the FSA (or other United Kingdom governmental authorities or agencies) of a requirement to place non−interest bearing or Special Deposits (whether interest bearing or not) with the Bank of England and/or pay fees to the FSA calculated by reference to liabilities used to fund the relevant Euro−Currency Loan or such sum.

The "**Mandatory Costs Rate**" will be the rate determined by the Administrative Agent to be equal to the arithmetic mean (rounded upward, if necessary, to the next higher 1/100 of 1%) of the respective rates

notified by each of the Reference Banks to the Administrative Agent as the rate resulting from the application of the following formula:

For Sterling:

$$\frac{XL + S(L - D) + F \times 0.01}{100 - (X + S)}$$

For Other Alternate Currencies:

$$\frac{F \times 0.01}{300}$$

where on the day of application of the formula:

is the percentage of Eligible Liabilities (in excess of any stated minimum) by reference to which such Reference Bank is required under or pursuant to the Act to maintain cash ratio deposits with the Bank of England;

is the rate of interest (exclusive of Euro−Currency Margin and Mandatory Costs Rate) payable on that day on the related Euro−Currency Loan or unpaid sum pursuant to this Agreement;

is the rate of periodical charge payable by such Reference Bank to the FSA pursuant to the Fees Regulations and expressed in pounds per £1 million of the Fee Base of such Reference Bank;

is the level of interest−bearing Special Deposits, expressed as a percentage of Eligible Liabilities, which such Reference Bank is required to maintain by the Bank of England (or other United Kingdom governmental authorities or agencies); and

is the percentage rate per annum payable by the Bank of England to such Reference Bank on Special Deposits.

(X, L, S and D are to be expressed in the formula as numbers and not as percentages. A negative result obtained from subtracting D from L shall be counted as zero.)

If any Reference Bank fails to notify any such rate to the Administrative Agent, the Mandatory Costs Rate shall be determined on the basis of the rate(s) notified to the Administrative Agent by the remaining Reference Bank(s).

The Mandatory Costs Rate attributable to a Euro−Currency Loan or other sum for any period shall be calculated at or about 11:00 A.M. (London time) on the first day of such period for the duration of such period.

The determination of Mandatory Costs Rate by the Administrative Agent in relation to any period shall, in the absence of manifest error, be conclusive and binding on all parties hereto.

3. Change of Requirements

If there is any change in circumstance (including the imposition of alternative or additional requirements) which in the reasonable opinion of the Administrative Agent renders or will render the above formula (or any element thereof, or any defined term used therein) inappropriate or inapplicable, the Administrative Agent (following consultation with the Company and the Lenders) shall be entitled to vary the same. Any such variation shall, in the absence of manifest error, be conclusive and binding on all parties and shall apply from the date specified in such notice.

EXHIBIT H

ELECTION TO PARTICIPATE

_____ __, 200_

JPMorgan Chase Bank, N.A., as
Administrative Agent for
the Lenders party to the Credit Agreement dated as of April 26, 2007 among The Estée Lauder Companies Inc., Estee Lauder Inc., the Eligible Subsidiaries referred to therein, the lenders listed on the signature pages thereof, Citibank, N.A. and Bank of America, N.A., as Syndication Agents, Bank of Tokyo−Mitsubishi UFJ Trust Company and BNP Paribas, as Documentation Agents, and JPMorgan Chase Bank, N.A., as Administrative Agent (as the same may be amended from time to time, the "**Credit Agreement**")

Dear Sirs:

Reference is made to the Credit Agreement described above. Terms not defined herein which are defined in the Credit Agreement have for purposes hereof the meanings provided therein.

The undersigned, [Name of Eligible Subsidiary], a [Jurisdiction of Formation] [Organizational Form], hereby elects to be an Eligible Subsidiary for purposes of the Credit Agreement, effective from the date hereof until an Election to Terminate shall have been delivered on behalf of the undersigned in accordance with the Credit Agreement. The undersigned confirms that the representations and warranties set forth in Article 9 of the Credit Agreement are true and correct as to the undersigned as of the date hereof, and the undersigned agrees to perform all the obligations of an Eligible Subsidiary under, and to be bound in all respects by the terms of, the Credit Agreement, including without limitation Section 10.08 thereof, as if the undersigned were a signatory party thereto.

[Tax disclosure pursuant to Section 8.04.]

The address to which all notices to the undersigned under the Credit Agreement should be directed is:

[Address]

This instrument shall be construed in accordance with and governed by the laws of the State of New York.

Very truly yours,

[NAME OF ELIGIBLE SUBSIDIARY]

By: _____
Name:
Title:

The undersigned represents and warrants that [Name of Eligible Subsidiary] is an Eligible Subsidiary for purposes of the Credit Agreement described above. The undersigned agrees that the Guaranty of the undersigned contained in the Credit Agreement will apply to all obligations of [Name of Eligible Subsidiary] under the Credit Agreement and any Note issued by [Name of Eligible Subsidiary].

THE ESTÉE LAUDER COMPANIES INC.

By: _____
Name:
Title:

Receipt of the above Election to Participate is acknowledged on and as of the date set forth above.

JPMORGAN CHASE BANK, N.A., as Administrative Agent

By: _____
Name:
Title:

EXHIBIT I

ELECTION TO TERMINATE

_____ __, 200_

JPMorgan Chase Bank, N.A., as
Administrative Agent for
the Lenders party to the Credit Agreement dated as of April 26, 2007 among The Estée Lauder Companies Inc., Estee Lauder Inc., the Eligible Subsidiaries referred to therein, the lenders listed on the signature pages thereof, Citibank, N.A. and Bank of America, N.A., as Syndication Agents, Bank of Tokyo−Mitsubishi UFJ Trust Company and BNP Paribas, as Documentation Agents, and JPMorgan Chase Bank, N.A., as Administrative Agent (as the same may be amended from time to time, the "**Credit Agreement**")

Dear Sirs:

Reference is made to the Credit Agreement described above. Terms not defined herein which are defined in the Credit Agreement have for purposes hereof the meanings provided therein.

The undersigned, [Name of Eligible Subsidiary], a [Jurisdiction of Formation] [Organizational Form], hereby elects to terminate its status as an Eligible Subsidiary for purposes of the Credit Agreement, effective as of the date hereof. The undersigned represents and warrants that all principal and interest on all Loans made to the undersigned and all other amounts payable by the undersigned pursuant to the Credit Agreement have been paid in full on or before the date hereof. Notwithstanding the foregoing, this Election to Terminate shall not affect any obligation of the undersigned heretofore incurred under the Credit Agreement or any Note.

This instrument shall be construed in accordance with and governed by the laws of the State of New York.

Very truly yours,

[NAME OF ELIGIBLE SUBSIDIARY]

By: _____
Name:
Title:

The undersigned hereby agrees that the status of [Name of Eligible Subsidiary] as an Eligible Subsidiary for purposes of the Credit Agreement described above is terminated as of the date hereof.

THE ESTÉE LAUDER COMPANIES INC.

By: _____
Name:
Title:

Receipt of the above Election to Terminate is acknowledged on and as of the date set forth above.

JPMORGAN CHASE BANK, N.A., as Administrative Agent

By: _____
Name:
Title:

Exhibit 10.2

SERVICES AGREEMENT

SERVICES AGREEMENT, dated January 1, 2003 (the "Agreement"), by and among Estee Lauder Inc., a Delaware corporation ("ELI"), Melville Management Corp. ("MMC"), Leonard A. Lauder ("LAL") and William P. Lauder ("WPL").

W I T N E S S E T H:

WHEREAS, ELI is a subsidiary of The Estée Lauder Companies Inc. ("ELC"); and

WHEREAS, LAL and WPL are directors and executive officers of ELC and certain of ELC's subsidiaries; and

WHEREAS, MMC is a corporation owned and controlled by LAL; and

WHEREAS, for many years prior to the date hereof, ELI, ELC and other subsidiaries of each (with ELI and ELC, the "EL Group") have provided certain services, space and other benefits to MMC and to LAL, WPL and their family (with MMC, the "LAL Parties"); and

WHEREAS, MMC, LAL and WPL have paid the EL Group for such services, the use of such space and such other benefits; and

WHEREAS, it is the intention of the parties hereto to formalize the relationship between the parties.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. Services.

(a) ELI hereby agrees to provide to the LAL Parties, those business−related and administrative services listed on Schedule A attached hereto and such other services as ELI and the LAL Parties may mutually agree (collectively, the "Services"), at a level requested by the LAL Parties; provided, that, unless the parties otherwise agree, the scope of such Services is consistent with the provision and cost of such Services in prior years and the cost of such Services is not in excess of 150% of the annual level of such Services provided in the last completed fiscal year of ELC.

(b) The employees of E−L Management Corp., a subsidiary of ELI, that are listed on Schedule B (the "LAL Service Providers") provide services to the LAL Parties. The LAL Parties have agreed that in consideration of these services, the LAL Parties shall pay 100% of the salary, bonus and other payroll and benefit costs attributable to the LAL Service Providers (the "Payroll Services"). The LAL Parties may from time to time, with the consent of ELI (which consent shall not be unreasonably

withheld), change the LAL Service Providers; provided, however, that the overall obligation to provide Payroll Services pursuant hereto shall be limited in any particular year to 150% of the aggregate annual level of charges for such Payroll Services provided to the persons on Schedule B at the start of the last completed fiscal year.

(c) The EL Group and its employees, directors and employees shall not be liable for any consequential or special damages for failure to perform the Services or Payroll Services to be provided hereunder. The LAL Parties will indemnify and hold harmless the EL Group, its officers, directors and employees (other than LAL, WPL and their family members) against any losses, claims, damages or liabilities (or action in respect thereof) arising out of or based upon this Agreement or other expenses incurred by the Companies in connection with investigating or defending any such action or claim as such expenses are incurred in each case, to the extent not arising from the gross negligence or willful misconduct of the EL Group. Notwithstanding anything to the contrary contained herein, the LAL Parties will indemnify and hold harmless the EL Group, its officers, directors and employees (other than LAL, WPL and their family members) against any losses, claims, damages or liabilities (or action in respect thereof) arising out of or based upon, or brought by the LAL Service Providers or other expenses incurred by the Companies in connection with investigating or defending any such action or claim as such expenses are incurred in each case.

2. Payments.

(a) General. Except as set forth below, the LAL Parties shall pay to ELI (or an affiliate of ELI designated by ELI) (i) for Services provided hereunder an amount equal to 100% of the actual costs and expenses for such Services incurred by the EL Group attributable to such Services, (ii) an amount equal to 100% of any other expenses paid to or on account of any LAL Party, which are not reimbursable by ELC pursuant to an applicable Employment Agreement or company policy of the EL Group, (iii) the full cost of providing Payroll Services for the LAL Service Providers as determined from time to time by the Company, but which shall include for each person on Schedule B an amount equal to such persons' wages (including salary and bonus) plus an amount equal to the Applicable Fringe Benefits Rate (as defined below) multiplied by the amount of such wages, and (iv) the cost attributable to the office space occupied by the LAL Service Providers, including the use of common spaces at the facility, calculated in accordance with the policies of the EL Group in determining the cost of similar office space at such locations and charged to corporate departments of the EL Group. The "Applicable Fringe Benefit Rate" shall be the fringe benefit rate from time to time applied to employees of the EL Group employed in corporate departments thereof.

(b) Invoice; Prepayment. ELI (or an affiliate of ELI designated by ELI) shall provide an accounting to the LAL Parties at least monthly describing the amounts due to the EL Group in accordance with Section 2(a). Such amounts will be due and payable immediately. In order that no credit be extended, the LAL Parties shall at all times prepay the amounts incurred on their behalf by maintaining on deposit with ELI, sums sufficient to cover the amounts that become due pursuant to Section 2(a). It is

understood and agreed that ELI will make no payments under this Agreement at any time the amount on deposit is insufficient to covert such payment. No interest shall accrue on any amounts on deposit nor shall there be any discount for prepayment.

(c) ELI shall keep books and records of the Services and Payroll Services provided, including reasonable supporting documentation of the costs and expenses attributable to such Services and Payroll Services, and shall make such books and records available to the LAL Parties, upon reasonable notice, during normal business hours.

3. Joint and Several Liability. The LAL Parties shall remain joint and severally liable to the members of the EL Group and their officers, directors and employees for the LAL Parties' obligations to ELI and the other members of the EL Group arising hereunder.

4. Suspension of Services. ELI reserves the right, without any liability to any LAL Party or to any LAL Service Provider, except as otherwise expressly provided in this Agreement, and without being in breach of any covenant of this Agreement to stop, interrupt or suspend any Services or Payroll Services, whenever and for so long as may be necessary or appropriate, by reason of accidents, emergencies, strikes or the making of repairs or changes which ELI is required in the operation of its business or by law to make or in good faith deems advisable, or by reason of difficulty in securing proper supplies of fuel, steam, water, electricity, labor or supplies or by reason of any other cause beyond ELI's reasonable control, including governmental restrictions on the use of materials or the use of any of the Building systems. In each instance, ELI shall exercise reasonable diligence to eliminate the cause of stoppage and to effect restoration of the Services or Payroll Services and shall give the LAL Parties reasonable notice, when practicable, of the commencement and anticipated duration of such stoppage.

5. General.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(b) Notices. All notices and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and mailed, telecopied or delivered to such party at his address or telecopier number set forth on the signature pages hereof, with copies to the persons noted thereon, or to such other address or telecopier number as such party may hereafter specify for the purpose. Each such notice, request or other communication shall be effective upon receipt, if delivered personally or by courier; when telecopied, if telecopied; and if sent by certified mail, three days after deposit (postage prepaid) with the U.S. mail service.

(c) Headings. The headings of the various Articles and Sections of this Agreement have been inserted for convenience only and shall not be deemed to be part of this Agreement.

(d) Binding Effect. Without the written consent of ELI, no LAL Party may assign his, her or its rights to receive services under this Agreement. This Agreement will be binding upon and inure to the benefit of ELI, its successors and assigns and to the LAL Parties and their permitted successors and assigns.

(e) No Oral Change. This Agreement may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change modification or discharge is sought.

(f) Termination. This Agreement may be terminated (i) by mutual consent of the parties hereto, (ii) by written notice of such termination by the LAL Parties to ELI (or by an LAL Party, as to which this Agreement shall terminate as to such party only), (iii) at such time as both LAL and WPL are not employees of the EL, (iv) upon 30 days prior written notice if the LAL parties are in default for ten days in their payment obligations hereunder and such obligations in the aggregate exceed $100,000, (v) by ELI immediately if it is determined upon advice of counsel that ELI cannot legally provide the services contemplated hereunder or (vi) by either party upon 30 days prior written notice. Upon termination, the payment obligations of the LAL Parties in respect of their indemnification obligation hereunder and Services, occupancy costs and Payroll Services rendered prior to such termination shall continue in full force and effect.

(g) Entire Understanding. This Agreement sets forth the entire agreement and understanding of the parties hereto in respect of the subject matter hereof and the transactions contemplated hereby and supersedes all prior written and oral agreements, arrangement and understandings relating to the subject matter hereof.

(h) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies each signed by less than all, but together signed by all, the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Irrevocable Proxy Agreement as of the date first above written.

ESTÉE LAUDER INC.

BY: /s/Fred H. Langhammer
Name: Fred H. Langhammer
Title: President and Chief Executive Officer

Address:

767 Fifth Avenue
New York, NY 10153
Tel: (212) 572−4200
Fax: (212) 572−3989
Attn: General Counsel

/s/William P. Lauder
William P. Lauder

Address:

767 Fifth Avenue
New York, NY 10153
Tel: (212) 572−4200
Fax: (212) 572−6899

MELVILLE MANAGEMENT CORPORATION

BY: /s/Leonard A. Lauder
Name: Leonard A. Lauder
Title: President

Address:

767 Fifth Avenue
New York, NY 10153
Tel: (212) 572−4200
Fax: (212) 572−6745
Attn: Leonard A. Lauder

/s/Leonard A. Lauder
Leonard A. Lauder

Address:

767 Fifth Avenue
New York, NY 10153
Tel: (212) 572−4200
Fax: (212) 572−6745

Schedule A

Telephone

Computer services, including hardware, software and technical support

Use of Company Resources, such as Travel Services and advice relating to properties and maintenance thereof

Office Supplies

Insurance coverage for Demised Premises

Schedule B

10 persons

The following are consultant(s) paid directly by an LAL Party, but the LAL Parties are responsible for the office the occupy under Section 2(a):

1 person

Exhibit 10.3

SERVICES AGREEMENT

SERVICES AGREEMENT, dated November 22, 1995 (the "Agreement"), by and among Estée Lauder Inc., a Delaware corporation ("ELI"), and RSL Investments Corporation, a Delaware Corporation ("RSLIC").

W I T N E S S E T H:

WHEREAS, RSLIC and E−L Management Corp., a New York corporation, are entering into (a) an Agreement of Sublease, dated the date hereof (the "Sublease"), pertaining to certain space on the 42nd floor of the building situated in the Borough of Manhattan, City, County and State of New York and known by the street address 767 Fifth Avenue, New York, New York 10153 (the "Building"), and (b) a Letter Agreement, dated the date hereof (the "Letter Agreement"), pertaining to certain space on the 43rd floor of the Building (together with the 42nd floor, the "Demised Premises"); and

WHEREAS, in connection with the business and related activities conducted by Ronald S. Lauder ("RSL"), RSLIC and their affiliates (other than The Estée Lauder Companies Inc. ("ELC") and its subsidiaries) (collectively, the "RSL Affiliates") on or from the Demised Premises, which are not related to the activities of ELC and its affiliates (other than the RSL Affiliates) (collectively, the "Companies"), ELI and RSLIC desire to enter into an agreement, whereby ELI will provide the RSL Affiliates, certain services, at a level consistent with the provision and cost of such services in prior years, and RSLIC agrees to reimburse ELI in accordance with the terms hereof.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. Services.

(a) ELI hereby agrees to provide to the RSL Affiliates, those business−related and administrative services listed on Schedule A attached hereto and such other services as ELI and RSLIC may mutually agree or as are currently provided to RSL Affiliates and RSLIC reasonably requests (collectively, the "Services"), at a level requested by RSLIC; provided, that, unless the parties otherwise agree, the scope of such Services is consistent with the provision and cost of such Services in prior years and the level of such Services is not in excess of 150% of the average annual level of such Services provided in the fiscal years ended June 30, 1993, 1994 and 1995. In addition, until ELI receives written notice to the contrary from RSLIC, ELI will continue to provide payroll services (including the issuance of checks, enrollment in medical, dental, life and disability insurance and retirement and incentive thrift plans sponsored by ELC and related administration) (collectively "Payroll Services") for those persons, all of whom RSLIC hereby represents are employees of RSLIC or such other RSL Affiliate as indicated for such person on Schedule B; provided, however, that (a) the agreement to

provide retirement and incentive thrift plan enrollment in respect of a person shall terminate at such time as his or her employer becomes a not−for−profit entity and (b) with respect to those persons for whom an employer other than RSLIC or RSL Management (as defined in Section 4(d) hereof) is indicated on Schedule B, ELI shall not be obligated to provide any Payroll Services other than enrollment in medical, dental, life and disability insurance and retirement and incentive thrift plans sponsored by ELC and related administration. RSLIC may from time to time, with the consent of ELI (which consent shall not be unreasonably withheld), amend Schedule B with respect to Payroll Services; provided, however, that the overall obligation to provide Payroll Services pursuant hereto shall be limited to 150% of the aggregate annual level of such Payroll Services (excluding such services relating to Ronald S. Lauder, individually) provided to the persons on Schedule B on the date hereof in the fiscal year ended June 30, 1995. No person set forth on Schedule B will be considered an employee of the Company.

(b) The Companies shall not be liable for any consequential or special damages for failure to perform the Services or Payroll Services to be provided hereunder. RSLIC will indemnify and hold harmless the Companies, their officers, directors and employees (other than Ronald S. Lauder) against any losses, claims, damages or liabilities (or action in respect thereof) arising out of or based upon this Agreement or other expenses incurred by the Companies in connection with investigating or defending any such action or claim as such expenses are incurred in each case, to the extent not arising from the gross negligence or willful misconduct of the Companies.

2. Payments.

(a) General. Except as set forth below, RSLIC shall pay to ELI (or an affiliate of ELI designated by ELI) (i) for Services provided hereunder (X) an amount equal to 80.78% of the actual costs and expenses up to and including the annual limit (the "Annual Limit") for such Services set forth on Schedule A hereto incurred by the Companies attributable to such Services provided to the RSL Affiliates, provided that each Annual Limit will be reduced to zero at such time as the Employment Agreement or a successor agreement is no longer in effect, and (Y) an amount equal to 100% of the actual costs and expenses in excess of the Annual Limit for such Services incurred by the Companies attributable to such Services, (ii) an amount equal to 100% of any other expenses paid to or on account of any RSL Affiliate by the Companies, which are not reimbursable by ELC pursuant to Section 4(b) of an Employment Agreement, dated as of November 16, 1995, between ELC and RSL (the "Employment Agreement"), and (iii) the full cost of providing Payroll Services which shall equal for each person on Schedule B an amount equal to such persons' wages (including salary and bonus) plus an amount equal to the Applicable Fringe Benefits Rate (as defined below) multiplied by the amount of such wages. The "Applicable Fringe Benefit Rate" shall be the fringe benefit rate from time to time applied to employees of the Companies employed in corporate departments thereof. All payments required to be made pursuant to the Sublease and the Letter Agreement shall be made in accordance with the Sublease and the Letter Agreement and without regard to this Agreement. The payments referred to in the first sentence of this Section 2(a) shall be payable monthly by RSLIC within twenty (20) days after receipt of an invoice from ELI setting forth the monthly amount due together with

reasonable supporting detail. ELI shall keep books and records of the Services and Payroll Services provided, including reasonable supporting documentation of the costs and expenses attributable to such Services and Payroll Services, and shall make such books and records available to RSLIC, upon reasonable notice, during normal business hours.

(b) Adjustments. The following adjustments shall be made to the amounts due under Section 2(a): (i) To the extent that, in any year, RSL is reimbursed by the Companies pursuant to Section 4(b) of the Employment Agreement for any expenses incurred by RSL in connection with the provision of any Services, the Annual Limits for each such Service for such year shall be appropriately reduced by the amount of the applicable reimbursement and (ii) the Annual Limits shall be revised in accordance with Company guidelines regarding budgeting of expenses.

(c) Non−Payable Expenses. Notwithstanding anything to the contrary contained herein, no RSL Affiliate shall have any obligation to ELI or the Companies in respect of (i) the portion of costs or expenses not required to be reimbursed by RSLIC to ELI pursuant to section 2(a)(i) hereof or (ii) expenses reimbursed by ELC pursuant to the Employment Agreement, during the Term of Employment (as defined therein), which includes, but is not limited to all reasonable and necessary Companies−related (A) travel expenses (including first class airfare), (B) business entertainment expenses, (C) “no charge” merchandise (consistent with the level in prior years) and (D) other out−of−pocket business expenses incurred or expended by RSL in connection with the performance of his duties under the Employment Agreement

3. Suspension of Services. ELI reserves the right, without any liability to any RSL Affiliate, except as otherwise expressly provided in this Agreement, and without being in breach of any covenant of this Agreement to stop, interrupt or suspend any Services or Payroll Services, whenever and for so long as may be necessary or appropriate, by reason of accidents, emergencies, strikes or the making of repairs or changes which ELI is required in the operation of its business or by law to make or in good faith deems advisable, or by reason of difficulty in securing proper supplies of fuel, steam, water, electricity, labor or supplies or by reason of any other cause beyond ELI’s reasonable control, including governmental restrictions on the use of materials or the use of any of the Building systems. In each instance, ELI shall exercise reasonable diligence to eliminate the cause of stoppage and to effect restoration of the Services or Payroll Services and shall give RSLIC reasonable notice, when practicable, of the commencement and anticipated duration of such stoppage.

4. General.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(b) Notices. All notices and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and mailed, telecopied or delivered to such party at his address or telecopier number set forth on the

signature pages hereof, with copies to the persons noted thereon, or to such other address or telex or telecopier number as such party may hereafter specify for the purpose. Each such notice, request or other communication shall be effective upon receipt, if delivered personally or by courier; when telecopied, if telecopied; and if sent by certified mail, three days after deposit (postage prepaid) with the U.S. mail service.

(c) Headings. The headings of the various Articles and Sections of this Agreement have been inserted for convenience only and shall not be deemed to be part of this Agreement.

(d) Binding Effect. Without the written consent of ELI, RSLIC may not assign its rights to receive services under this Agreement. This Agreement will be binding upon and inure to the benefit of ELI, its successors and assigns and to RSLIC and its permitted successors and assigns. RSLIC may assign this Agreement to any RSL Affiliate that performs management services for the RSL Affiliates (any such assignee, "RSL Management"); provided, however, that RSLIC shall remain liable for the obligations hereunder of any and all such assignee.

(e) No Oral Change. This Agreement may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change modification or discharge is sought.

(f) Termination. This Agreement may be terminated (i) by mutual consent of the parties hereto, (ii) by written notice of such termination by RSLIC to ELI, (iii) if the Employment Agreement or any successor agreement, the Sublease and the Letter Agreement are no longer in effect, upon 90 days prior written notice from ELI to RSLIC or (iv) upon 90 days prior written notice if RSLIC is in default for ten days in its payment obligations hereunder and such obligations in the aggregate exceed $100,000. Upon termination, the payment obligations of RSLIC in respect of its indemnification obligation hereunder and Services and Payroll Services rendered prior to such termination shall continue in full force and effect.

(f) Entire Understanding. This Agreement sets forth the entire agreement and understanding of the parties hereto in respect of the subject matter hereof and the transactions contemplated hereby and supersedes all prior written and oral agreements, arrangement and understandings relating to the subject matter hereof.

(g) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies each signed by less than all, but together signed by all, the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Irrevocable Proxy Agreement as of the date first above written.

ESTÉE LAUDER INC.

BY: /s/Fred H. Langhammer
Name: Fred H. Langhammer
Title: Executive Vice President

Address:

767 Fifth Avenue
New York, NY 10153
Tel: (212) 572−4200
Fax: (212) 572−6787
Attn: Chief Financial Officer

with a copy to:

Weil, Gotshal & Manges
767 Fifth Avenue
New York, New York 10153
Tel: (212) 310−8000
Fax: (212) 310−8007
Attn: Jeffrey J. Weinberg, Esq.

RSL INVESTMENTS CORPORATION

BY: /s/Ronald S. Lauder
Name: Ronald S. Lauder
Title: President

Address:

767 Fifth Avenue
New York, NY 10153
Tel: (212) 572−6964
Fax: (212) 572−4046
Attn: Ronald S. Lauder

with a copy to:

Debevoise & Plimpton
875 Third Avenue
New York, New York 10022
Tel: (212) 909−6000
Fax: (212) 909−6836
Attn: Alan H. Paley, Esq.

Schedule A

		Annual Limit
Telephone	$	200,000
Computer services, including hardware, software and technical support	$	0*
Insurance coverage for Demised Premises	$	15,000

*The obligation to provide computer services including hardware, software and technical support shall cease on November 22, 1996.

Schedule B

21 persons

R.S. Lauder, Gaspar & Co. L.P.

7 persons

RSL Communications, Inc.

3 persons

Exhibit 10.4

AGREEMENT OF SUBLEASE

between

ARAMIS INC.

Sublandlord

and

RSL MANAGEMENT CORP.

Subtenant

Demised Premises: premises comprising a portion of the 42nd floor of 767 Fifth Avenue New York, New York 10153

Table of Contents

AGREEMENT OF SUBLEASE

AGREEMENT OF SUBLEASE, made as of the 1st day of April, 2005, between ARAMIS INC., a Delaware corporation, and a wholly−owned subsidiary of THE ESTÉE LAUDER COMPANIES INC., having an address at 767 Fifth Avenue, New York, New York 10153 ("Sublandlord"), and RSL MANAGEMENT CORP., a Delaware corporation, having an address at 767 Fifth Avenue, New York, New York 10153 ("Subtenant").

W I T N E S S E T H :

WHEREAS, by that certain Lease dated as of July 10, 2003, between 767 Fifth Avenue, LLC ("Landlord"), as landlord, and Sublandlord, as tenant, as amended pursuant to (i) that certain First Amendment to Lease dated as of April 1, 2004, between Landlord and Sublandlord, and (ii) that certain Second Amendment to Lease dated as of December 28, 2004, between Landlord and Sublandlord (as amended, the "Prime Lease"), Prime Landlord leased to Sublandlord certain premises (the "Premises"), more particularly described in the Prime Lease, located on the 37th through 43rd floors, the 45th and 46th floors, the 6th floor, and concourse and basement levels of the building situated in the Borough of Manhattan, City, County and State of New York and known by the street address 767 Fifth Avenue, New York, New York 10153 (the "Building"), for a term expiring at noon on March 31, 2020.

WHEREAS, Sublandlord desires to sublease to Subtenant a portion of the Premises as hereinafter more particularly described, and Subtenant desires to lease the same from Sublandlord, all upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of mutual covenants herein contained, Sublandlord and Subtenant mutually agree as follows:

1. Subleasing of Demised Premises. Sublandlord hereby subleases to Subtenant, and Subtenant hereby subleases, hires and takes from Sublandlord, all of the Sublandlord's right, title and interest in that portion of the Premises located on the 42nd floor of the Building and shown hatched in black on the plan annexed as Exhibit A hereto and made a part hereof (the "Demised Premises") together with the right to use all common facilities (including bathroom facilities) that are located in the remainder of the Premises and are necessary or desirable for the use and occupancy of the Demised Premises, upon and subject to the terms and conditions hereinafter set forth.

2. Term. The term (the "Term") of this Sublease shall commence on April 1, 2005 (the "Term Commencement Date") and shall expire at 11:59 p.m. on March 31, 2010 (the "Expiration Date"), unless such Term is sooner terminated as hereinafter provided. Subtenant shall have no options to extend the term of this Sublease.

3. Fixed Rent; Additional Rent; Rental.

A. During the Term, Subtenant agrees to pay to Sublandlord, in currency which at the time of payment is legal tender for public and private debts in the United States of America, fixed rent ("Fixed Rent") in the amount of Six Hundred Eighty Three Thousand Five Hundred Forty Three and 06/100 Dollars ($683,543.06) per annum commencing on the Term Commencement Date and ending on the Expiration Date. Fixed Rent shall be payable in equal monthly installments in advance on the first day of each and every calendar month during the Term.

B. During the Term, Subtenant agrees to pay to Sublandlord, within ten (10) (days of demand therefor, in currency which at the time of payment is legal tender for public and private debts in the United States of America, as additional rent ("Additional Rent"), an amount equal to Subtenant's Proportionate Share (hereinafter defined) of all and any Additional Rent (as defined in the Prime Lease) and all other sums or charges as shall become due from and payable by Sublandlord to the Prime Landlord under the Prime Lease and which is properly allocable to the 42nd floor of the Premises, including, without limitation, all sums or charges payable by Sublandlord on account of the 42nd floor of the Premises pursuant to Articles 4, 5, 15, 16 and 17 of the Prime Lease. In the event that Sublandlord receives a refund or credit in respect of any item for which Subtenant has paid Additional Rent hereunder, Sublandlord agrees to reimburse or allow a credit to Subtenant for Subtenant's Proportionate Share of such refund or credit, such refund or credit to be in the same form as provided to Sublandlord. As used in this Sublease, the term "Subtenant's Proportionate Share" shall mean 20.72%, provided that Subtenant shall be required to pay 100% of any Additional Rent under the Prime Lease that relates solely to the operation, occupancy or use of the Demised Premises. Subtenant's payment for electrical energy shall be determined based upon Subtenant's use of electrical energy and the rates for the entire 42nd floor of the Building. The payment of Additional Rent pursuant to this Paragraph is an obligation supplemental to the obligation to pay Fixed Rent, which Fixed Rent shall not be reduced under any circumstances whatsoever (except to the extent Sublandlord receives a corresponding reduction in the Fixed Rent payable under the Prime Lease and such reduction is properly allocable to premises including the Demised Premises). Nothing contained herein shall require Subtenant to pay for any services provided solely to the portion of the Premises not covered by this Sublease (such portion of the Premises being hereinafter referred to as the "Sublandlord's Premises") or for any Additional Rent under the Prime Lease that relates solely to the operation, occupancy or use of the Sublandlord's Premises.

C. All of the amounts payable by Subtenant pursuant to this Sublease, including, without limitation, Fixed Rent, Additional Rent and all other costs, charges, sums and deposits payable by Subtenant hereunder (collectively, "Rental"), shall constitute rent under this Sublease. The Fixed Rent and any Additional Rent payable hereunder shall be prorated for any period of less than a full calendar month or year, as applicable. Sublandlord shall, simultaneously with the delivery of any bill for Additional Rent hereunder, deliver to Subtenant a copy of any invoice received by Sublandlord from Prime Landlord on account of Additional Rent under the Prime Lease and a statement showing the calculation of the Additional Rent payable hereunder.

D. Subtenant shall promptly pay the Rental as and when the same shall become due and payable, at the office of the Sublandlord, as set forth above, or at such other place as Sublandlord may designate, without setoff or deduction of any kind whatsoever (except as otherwise expressly provided for herein) and, in the event of Subtenant's failure to pay same when due, Sublandlord shall have, in addition to all of the rights and remedies provided for herein or at law or in equity in the case of nonpayment of rent, the right (but not the obligation) to immediately terminate this Sublease.

E. Notwithstanding anything to the contrary in this Sublease, Subtenant agrees to promptly pay directly to any federal, state, municipal or other public authority, any charges, assessments or fees, as and when they become due, (including but not limited to the New York City occupancy tax), to the extent that such charges, assessments or fees are due and payable as a direct result of Subtenant's use and occupancy of the Premises.

4. Subordination to the Prime Lease; Incorporation of the Prime Lease.

A. This Sublease is in all respects subject and subordinate to the terms and conditions of the Prime Lease (copies of which have been furnished by Sublandlord to Subtenant and Subtenant acknowledges receipt of same), all superior leases and mortgages (as defined in the Prime Lease) which may now or hereafter affect the Demised Premises and to all renewals, modifications, consolidations, replacements and extensions of any such superior leases or mortgages. This paragraph shall be self−operative and no further instrument of subordination shall be required. In confirmation of such subordination, Subtenant shall execute promptly any certificate or other document evidencing such subordination that Sublandlord or Prime Landlord may request. It is understood and agreed that nothing herein shall affect the rights and obligations of Prime Landlord under the Prime Lease.

B. Except as otherwise expressly provided in this Sublease, the terms, provisions, covenants, stipulations, conditions, rights, obligations, events of default, remedies and agreements contained in the Prime Lease are incorporated herein by reference and are made a part hereof as if herein set forth at length and shall apply in all respects to the Demised Premised. Subtenant shall have the rights and obligations of "Tenant" under the Prime Lease as they relate to the Demised Premises, including, without limitation, the right to receive all services to be provided by Prime Landlord pursuant to Articles 15, 16 and 17 and Exhibits D and F (notwithstanding that such provisions are not incorporated herein by reference). Sublandlord shall have the rights but not the obligations of "Landlord" under the Prime Lease as they relate to the Demised Premises. References in the Prime Lease to "Demised Premises", "Landlord" and "Tenant" shall mean the Demised Premises and any improvements thereon, Sublandlord, and Subtenant, respectively, provided that the references to the "Landlord" in the following provisions of the Prime Lease shall be deemed to refer only to Prime Landlord: Sections 2.05, 6.01, 18.01, 18.02, 18.03, 18.06, 18.07, 18.08, 21.01, 22.01, 22.05 and 36.02.

C. The following provisions of the Prime Lease (and all references thereto in the provisions of the Prime Lease incorporated herein by reference) are hereby deleted for purposes of incorporation herein and shall have no force or effect as between Sublandlord and Subtenant: Articles 1, 3, 4, 5, 8, 15, 16, 17, 38, 40, 41 and 42, 43, Sections 3.02, 3.03, 3.04, 6.06, 14.02, 39.02, 39.03, 39.04, 39.06, Exhibits A, B, D, G, H and I and all references and provisions applicable to the Concourse and Basement Premises.

D. In the event of inconsistency between the Prime Lease and this Sublease, such inconsistency (i) if it relates to obligations of or restrictions on Subtenant, shall be resolved in favor of that obligation which is more onerous to Subtenant or that restriction which is more restrictive of Subtenant, as the case may be, or (ii) if it relates to the rights of or benefits to be conferred on Subtenant, shall be resolved in favor of the Prime Lease. Moreover, in the event that any term and/or condition of this Sublease shall conflict with, or be inconsistent with, any term and/or condition of the Prime Lease, or if exercised hereunder would constitute a default under or breach of the Prime Lease, this Sublease shall be deemed amended to comply or be consistent with the Prime Lease. Subtenant shall not take or suffer any action in connection with its use and enjoyment of the Sublease Demised Premises which would constitute a default under, or be a violation of, the Prime Lease.

E. In all provisions of the Prime Lease requiring the approval or consent of the "Landlord", Subtenant shall be required to obtain the approval or consent of both the Prime Landlord and Sublandlord, which approval will not be unreasonably withheld or delayed by Sublandlord. In any case, where the approval or consent of Prime Landlord is required, Sublandlord agrees, at the sole cost and expense of Subtenant, to request such approval or consent from Prime Landlord promptly after its receipt of a request therefor from Subtenant and to use its reasonable and good faith efforts to obtain such approval or consent. In all provisions of the Lease requiring that notice be given to the "Landlord", Subtenant shall be required to give notice to the Prime Landlord and Sublandlord.

5. Covenants of Subtenant. With respect to the Demised Premises and any improvements thereon only, from and after the Term Commencement Date, Subtenant assumes and shall keep, observe and perform every term, provision, covenant and condition on Sublandlord's part to be kept, observed and performed pursuant to the Prime Lease, and Subtenant's obligations with respect to the Demised Premises and any improvements thereon, only, shall run to Sublandlord or Prime Landlord, as Sublandlord may determine to be appropriate or required by the respective interests of Sublandlord and Prime Landlord. Subject to the provisions of this Sublease, Subtenant covenants and agrees that Subtenant shall not (i) take any action or do or permit to be done anything which would result in any additional cost or expense or other liability being incurred by Sublandlord under the Prime Lease, or (ii) do or permit to be done anything that would constitute a default under the Prime Lease or omit to do anything that Subtenant is obligated to do under the terms of this Sublease or the Prime Lease, as incorporated

herein, so as to cause there to be a default under the Prime Lease. The provisions of this Paragraph 5 shall survive the expiration or earlier termination of this Sublease.

6. Services, Repairs and Improvements.

A. Subtenant agrees that, notwithstanding anything to the contrary in this Sublease or in the Prime Lease, Sublandlord shall not be required to provide any of the services, make any of the repairs or restorations, comply with any laws or requirements of any governmental authorities or take any other action that Prime Landlord has agreed to provide, make, comply with or take or cause to be provided, made, complied with or taken under the Prime Lease, and Subtenant shall rely upon, and look solely to, Prime Landlord for the provision or making thereof or compliance therewith. If Prime Landlord shall fail to provide any of the services or make any of the repairs that Prime Landlord has agreed to provide or make, Sublandlord agrees to use reasonable efforts to obtain same from Prime Landlord but Subtenant shall rely upon, and look solely to, Prime Landlord for the provision or making thereof. Subtenant shall also have the right in its own name to require performance of Prime Landlord's obligations under the Prime Lease. Subtenant may also make its own arrangements with Prime Landlord for additional services not required to be performed by Prime Landlord under the Prime Lease provided that the costs and expenses thereof or therefor shall be borne solely by Subtenant. If Prime Landlord refuses to recognize Subtenant's request, Sublandlord shall, at the request and sole cost and expense of Subtenant, reasonably cooperate with Subtenant in requesting Prime Landlord to provide such additional services. Subtenant shall not make any claim against Sublandlord for any damage which may arise, nor shall Subtenant be excused or relieved of its obligations hereunder (except to the extent that Sublandlord is excused or relieved from its corresponding obligations under the Prime Lease with respect to premises including the Demised Premises), by reason of (i) the failure of Prime Landlord to keep, observe or perform any of its obligations pursuant to the Prime Lease, or (ii) the acts or omissions of Prime Landlord, its agents, officers, directors, contractors, servants, employees, invitees or licensees.

B. Sublandlord shall use its reasonable efforts to provide to the Demised Premises certain cleaning, repair and maintenance services as are being provided to the remainder of the Premises (the "Services"). Subtenant shall pay to Sublandlord, as Additional Rent hereunder, Subtenant's Proportionate Share of the actual costs and expenses incurred by Sublandlord for the provision of such Services, provided however, that with respect to any Services supplied solely to Suite 4200 of the Building, (comprising the demised premises and additional office space of 2537 square feet), Subtenant shall be required to pay 71.96% of any costs and expenses for the provision of such Services. The Additional Rent referred to in the previous sentence shall be payable quarterly by Subtenant within ten (10) days after notice from the Sublandlord setting forth the quarterly amount due. Sublandlord reserves the right, without any liability to Subtenant, except as otherwise expressly provided in this Sublease, and without being in breach of any covenant of this Lease to stop, interrupt or suspend any Services to the Demised Premises, whenever and for so long as may be necessary, by reason of accidents, emergencies, strikes or the making of repairs or changes which Sublandlord is

required by the Prime Lease or by law to make or in good faith deems advisable, or by reason of difficulty in securing proper supplies of fuel, steam, water, electricity, labor or supplies or by reason of any other cause beyond Sublandlord's reasonable control, including governmental restrictions on the use of materials or the use of any of the Building systems. In each instance Sublandlord shall exercise reasonable diligence to eliminate the cause of stoppage and to effect restoration of the Service and shall give Subtenant reasonable notice, when practicable, of the commencement and anticipated duration of such stoppage, and whether any work is required to be performed in or about the Demised Premised for such purpose. Subtenant shall not be entitled to any diminution or abatement of rent or other compensation nor shall this Sublease or any of the obligations of the Subtenant be affected or reduced by reason of the interruption, stoppage or suspense of any of the Services.

C. Subtenant shall bear the sole cost and expense of all improvements to the Demised Premises made by Subtenant, and Subtenant shall pay for its share of improvements made by Sublandlord to the Premises which also benefit Subtenant, including but not limited to, a new phone system.

7. Liability of Sublandlord; Sublandlord's Covenants.

A. Subtenant shall look solely to Sublandlord's estate and interest in the Premises for the satisfaction of Subtenant's remedies for the collection of any judgment (or other judicial process) requiring the payment of money by Sublandlord in the event of any default by Sublandlord under this Sublease, and Subtenant shall not seek or claim recourse against Sublandlord (or any partner of Sublandlord) in the event of any default by Sublandlord or for any liability of Sublandlord, and no other property or other assets of Sublandlord (or any affiliate of Sublandlord or any employee, officer or director of Sublandlord or any of its affiliates) shall be subject to levy, execution or other enforcement procedure for the satisfaction of Subtenant's remedies under or with respect to this Sublease, the relationship of Sublandlord and Subtenant hereunder or Subtenant's use and occupancy of the Demised Premises.

B. Sublandlord hereby covenants that it will perform all of its material obligations (if any) under this Sublease and the Prime Lease (except to the extent such performance has been delegated to Subtenant pursuant to this Sublease) and that it will not amend or modify the Prime Lease in any manner that materially adversely affects Subtenant's rights hereunder without the prior written consent of Subtenant, such consent not to be unreasonably withheld or delayed. Sublandlord represents that (a) it has delivered a true, correct and complete copy of the Prime Lease to Subtenant and there are no other agreements between Sublandlord and Prime Landlord with respect to the Demised Premises, and (b) it has not previously assigned the Prime Lease or sublet the Demised Premises.

8. Indemnification.

A. Subtenant, to the fullest extent permitted by law, shall defend, indemnify and save harmless Sublandlord, its affiliates, and the agents, officers, directors and employees of Sublandlord and its affiliates against and from all liabilities, obligations, damages, penalties, suits, actions, demands, fines, losses, claims, costs, charges and expenses, including, without limitation, architects and attorneys fees and disbursements (collectively, "Claims"), which may be imposed upon or incurred by or asserted against Sublandlord and/or its agents by reason of (i) any work or thing done in, on or about the Demised Premises, any improvements located thereon, or any part thereof by or at the instance, of Subtenant, its agents, contractors, subcontractors, servants, employees, licensees or invitees, (ii) any accident or injury to any person (including death resulting therefrom), or damage to property occurring in, on or about the Demised Premises, any improvements located thereon, or any part thereof, or vault, passageway or space adjacent thereto, (iii) any failure on the part of Subtenant to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in this Sublease on its part to be performed or complied with, (iv) any failure of, or delay by, Subtenant in surrendering the Demised Premises, any improvements located thereon, in accordance with the provisions of this Sublease, including, without limitation, any claims made by Prime Landlord or any succeeding tenant, arising out of, or in connection with, such failure or delay, (v) any act or omission of Subtenant, its agents, officers, directors, contractors, servants, employees, invitees or licensees, or conduct of Subtenant's business in, or use, occupancy and management of, the Demised Premises or any improvements located thereon, provided that nothing contained herein shall require Subtenant to indemnify or hold Sublandlord harmless for any Claims arising from the bad faith or willful misconduct of Sublandlord or its employees, agents, contractors and licensees. In addition, whenever Subtenant is required to indemnify Sublandlord against, and hold Sublandlord harmless from any and all loss, cost, damage, penalty, liability, suit, action, demand, fine, charge or expense of whatsoever nature pursuant to any provision of the Prime Lease, Subtenant shall also so indemnify and hold Prime Landlord harmless from any and all such loss, cost, damage, penalty, liability, suit, action, demand, fine, charge or expense of whatsoever nature.

B. In the event that Subtenant shall be obligated under the terms of this Sublease to indemnify Sublandlord, Subtenant may select legal counsel (subject to the consent of Sublandlord, which consent shall not be unreasonably withheld) and shall keep Sublandlord fully apprised at all times of the status of such defense.

C. The provisions of this Paragraph 8 shall survive the Expiration Date or earlier termination of this Sublease.

9. Assignment, Subletting and Mortgaging. Notwithstanding anything to the contrary in this Sublease or in the Prime Lease, Subtenant shall not assign, sell, transfer, whether by operation of law or otherwise, or pledge, mortgage or otherwise encumber this Sublease, or sublet or permit the use or occupancy of all or any part of the Demised Premises or any improvements located thereon, provided that, subject to giving notice thereof to Sublandlord, Subtenant may assign this Sublease to, or permit the use or occupancy of the Demised Premises by, any entity which qualifies as a Related Entity

under the Prime Lease. If this Sublease be assigned, or if the Premises or any part thereof be sublet, Sublandlord may collect rent from the assignee or subtenant and apply the net amount collected to the Fixed Rent and Additional Rent herein reserved, but no such assignment or subletting shall be or be deemed to be a waiver of this covenant, or the acceptance of the assignee or subtenant as a tenant, or a release of Subtenant from the further performance by Subtenant of the covenants on the part of Subtenant herein contained.

10. Time Limits. The parties hereto agree that the time limits set forth in the Prime Lease for the notice or grace period afforded to Sublandlord, or the making of demands, performance of any act, condition or covenant, or the exercise of any right, remedy or option by Sublandlord shall be modified for the purposes of this Sublease, by shortening the same in each instance to (i) one half of the fixed time limit set forth in the Prime Lease, if the time period is five (5) days or less, and (ii) the fixed time limit set forth in the Prime Lease less five (5) days in all other cases, but nothing herein contained shall be construed to afford Subtenant less than two (2) business days in which to respond under the appropriate provisions of the Prime Lease or hereunder. Subtenant shall, not later than five (5) days after receipt thereof, give to Sublandlord a copy of any notice, demand or other communication received from Prime Landlord relating to the Demised Premises.

11. Notices. For the purposes of Section 31.01 of the Prime Lease, as incorporated herein, Notices to Sublandlord shall be directed to Sublandlord and Subtenant at the addresses hereinabove set forth.

12. Termination of Prime Lease. If for any reason the term of the Prime Lease is terminated prior to the Expiration Date of this Sublease, this Sublease shall thereupon terminate, and, unless such termination was caused solely by Sublandlord's default under the Prime Lease (excluding defaults in the performance or observance of any obligations delegated to Subtenant pursuant to this Sublease) or a voluntary termination (other than a voluntary termination following a casualty or condemnation as permitted in the Prime Lease and referred to below), Sublandlord shall not be liable to Subtenant by reason thereof. In the event of such termination, Sublandlord shall return to Subtenant that portion of the Rental paid in advance by Subtenant, if any, prorated as of the date of such termination. Sublandlord reserves the right to transfer and assign its interest in and to this Sublease, provided that in the event of any such assignment or transfer otherwise than pursuant to Sublandlord's rights in the sixth sentence of Section 8.03 of the Prime Lease, Subtenant shall have the right to terminate this Sublease upon not less than ten (10) business days' notice to Sublandlord.

13. Damage, Destruction, Fire and Other Casualty; Condemnation. Notwithstanding any contrary provision of this Sublease or of the provisions of the Prime Lease herein incorporated by reference, Subtenant shall have no right to terminate this Sublease by reason of a casualty or condemnation affecting the Demised Premises. Furthermore, Subtenant shall have no right to an abatement of Fixed Rent, Additional Rent or any other Rental by reason of a casualty or condemnation affecting the Demised

Premises unless Sublandlord is entitled to a corresponding abatement with respect to the Demised Premises under the Prime Lease. If by reason of such casualty or condemnation, Prime Landlord or Sublandlord elects to terminate the Prime Lease in accordance with the provisions of the Prime Lease, then upon such termination of the Prime Lease this Sublease shall be automatically terminated as if such date were the Expiration Date and Sublandlord shall have no liability whatsoever to Subtenant by virtue of such termination.

14. End of Term. Subtenant acknowledges that possession of the Demised Premises and any improvements thereon must be surrendered to Sublandlord, on the Expiration Date or sooner termination of the Term.

15. Guarantee. As a condition to Sublandlord and Subtenant entering into this Sublease, Ronald S. Lauder shall provide to Sublandlord a personal guarantee, in the form annexed hereto as Exhibit B (the "Gurantee"), guaranteeing the full and complete payment and performance of all of the obligations of Subtenant under this Sublease; provided however that the maximum amount to be paid by Ronald S. Lauder under the Guarantee shall not exceed an amount equal to the then aggregate amount of one (1) year's Rental, including, but not limited to, such amounts of Fixed Rent, Additional Rent, electricity costs, real estate taxes, operating expenses and Subtenant's share of improvements provided by Sublandlord.

16. Costs. Subtenant hereby agrees to reimburse Sublandlord for all costs incurred by Sublandlord in connection with the preparation of the Sublease (including reasonable attorneys' fees).

17. Miscellaneous.

A. The terms of this Sublease may not be changed or otherwise modified except by an instrument in writing signed by each of the parties hereto and by the Prime Landlord insofar as may be required under the Prime Lease.

B. All understandings and agreements heretofore had between the parties hereto with respect to the subject matter of this Sublease are merged in this Sublease, which alone fully and completely expresses their agreement, and that the same is entered into after full investigation, neither party relying upon any statement, representation or warranty made by the other not embodied in this Sublease.

C. In the event that any provisions of this Sublease shall be held to be invalid or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions of the Sublease shall be unaffected thereby.

D. The paragraph headings appearing herein are for purposes of convenience only and are not deemed to be a part of this Sublease.

E. Subtenant shall have the right to use such portion of the directory listings granted to Sublandlord under the Prime Lease as Subtenant uses at the date hereof.

F. This Sublease shall be governed by and construed in accordance with the laws of the State of New York.

G. In the event that Ronald S. Lauder is no longer employed by the The Estée Lauder Companies Inc. or its subsidiaries, Sublandlord shall have the right to terminate this Sublease upon notice to Subtenant, and Subtenant agrees to vacate the Demised Premises within twelve (12) months of the date of such request.

H. Notwithstanding anything to the contrary in this Sublease or in the Prime Lease, Sublandlord and Subtenant agree that in the event that Sublandlord shall vacate the 42nd floor of the Premises for any reason, voluntarily or involuntarily, or if the Prime Lease shall terminate or Sublandlord's right of occupancy under the Prime Lease is terminated, in either case where voluntary or involuntary, then this Sublease shall terminate, the Subtenant shall vacate the Demised Premises and Sublandlord shall have no liability to Subtenant.

I. This Sublease may be executed in counterparts each of which when taken together shall be deemed to be one and the same instrument.

[NO FURTHER TEXT ON THIS PAGE.]

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

ARAMIS INC., Sublandlord

By: /s/Richard W. Kunes
Name: Richard W. Kunes
Title: Executive Vice President and Chief Financial Officer

RSL MANAGEMENT CORP., Subtenant

By: /s/Jacob Z. Schuster
Name: Jacob Z. Schuster
Title: President

Exhibit A

Plan of Demised Premises

Exhibit B

Form of Guarantee

GUARANTEE OF SUBLEASE

Guarantee ("Guarantee"), dated as of April 1, 2005 by RONALD S. LAUDER ("Guarantor"), having an office at 767 Fifth Avenue, New York, New York 10153, in favor of ARAMIS, INC., a Delaware corporation ("Sublandlord") having an office at 767 Fifth Avenue, New York, New York 10153.

R E C I T A L S:

1. Sublandlord, as sublandlord, and RSL Management Corp. ("Subtenant"), a Delaware corporation, as subtenant, have entered into a sublease agreement (the "Sublease"), dated as of April 1, 2005, for a portion of the 42nd Floor of 767 Fifth Avenue, New York, New York 10153 ("Premises"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Sublease.

2. Sublandlord has required and Guarantor has agreed that as a condition to execution of the Sublease by Sublandlord, Guarantor shall execute this Guarantee.

A G R E E M E N T:

In consideration of, and as an inducement to, Sublandlord executing and delivering the Sublease and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor agrees as follows:

1. Guarantor absolutely, unconditionally and irrevocably guarantees to Sublandlord the full and complete payment and performance of all of the obligations of Subtenant under the Sublease, provided however that the maximum amount (the "Maximum Amount") to be paid by Guarantor under this Guarantee shall not exceed an amount equal to the then aggregate amount of one (1) year's Rental, including, but not limited to, such amounts of Fixed Rent, Additional Rent, electricity costs, real estate taxes, operating expenses and Subtenant's share of improvements provided by Sublandlord, as are then in effect (the "Guarantee Obligations").

2. Guarantor acknowledges and agrees that its liability hereunder shall be primary and that in any right of action which shall accrue to Sublandlord under the Sublease, Sublandlord may, at its option, proceed against Guarantor and Subtenant, jointly and severally, or against Guarantor under this Guarantee without commencing any suit or proceeding of any kind or nature whatsoever against Subtenant or obtaining any judgment against Subtenant and without proceeding under any other guarantee of the Sublease or applying any other security for the Guarantee Obligations. Guarantor hereby (a) waives diligence, presentment, demand of payment, notice of non−payment, notice of dishonor, protest, non−performance or non−observance, notice of acceptance of this

Guarantee, filing of claims with a court in the event of the merger or bankruptcy of Subtenant, any right to require a proceeding first against Subtenant or to realize on any collateral, protest, notice and all demands whatsoever, with respect to the Guarantee Obligations, (b) agrees that this Guarantee constitutes a guarantee of payment and not of collection and Guarantor's obligations are not in any way conditional or contingent upon any attempt to collect from or enforce against Subtenant or upon any other condition or contingency, (c) acknowledge that Sublandlord's and, subject to any required consent of Sublandlord, Subtenant's interest in the Sublease may be transferred in whole or in part without affecting the validity or enforceability of this Guarantee and that the benefit of Guarantor's obligations hereunder shall extend to each successor and assign of Sublandlord automatically and without notice to Guarantor and (d) covenants that this Guarantee will not be discharged except by complete performance of the obligations contained in the Sublease and this Guarantee.

3. This Guarantee shall be a continuing, absolute, unconditional guarantee with full recourse to Guarantor and not subject to any reduction, limitation, impairment, termination, defense, set−off, counterclaim or recoupment whatsoever; provided however that this Guarantee shall terminate with no further obligation or liability to Guarantor upon payment by Guarantor of the Maximum Amount. The validity of this Guarantee and the obligations and liability of Guarantor hereunder shall not be terminated, affected, modified, diminished or impaired by reason of (a) the assertion of or the failure by Sublandlord to assert against Subtenant any of the rights or remedies reserved to Sublandlord pursuant to the Sublease, (b) any bankruptcy, insolvency, reorganization, dissolution, arrangement, assignment for the benefit of creditors, receivership or trusteeship affecting Subtenant or its successors or assigns under the Sublease or of any other guarantor of the Sublease or any surety, whether or not notice thereof is given to Guarantor, (c) any subletting of all or a portion of the Premises or any assignment or other transfer by Subtenant of its interest in the Sublease, either in whole or in part whether permitted or not, (d) the genuineness, validity, regularity or enforceability of the Sublease or the Prime Lease (as defined in the sublease agreement), (e) any rescission, compromise, alteration, amendment, restatement, modification, extension, expiration, termination, renewal, release, change, waiver, consent or other action in respect of any of the terms, provisions, covenants or conditions contained in the Sublease or Prime Lease or any agreement, instrument or document securing the Sublease or Prime Lease, with or without notice to or assent from Guarantor, (f) the absence of notice or the absence of or any delay in action to enforce any obligation or to exercise any right or remedy against Subtenant, or Guarantor, or any other guarantor or surety, whether under the Sublease or any agreement, instrument or document securing the Sublease, or under any other agreement, instrument or document, or any indulgence, extension or waiver granted to or compromise with Subtenant or any other guarantor or surety, (g) any assumption by any person of any obligation under the Sublease or any agreement, instrument or document securing the Sublease, (h) any event of force majeure, (i) any release or substitution of any security or collateral for the Guarantee Obligations, in whole or in part, with or without notice to or assent from Subtenant or Guarantor, (j) any extension of time, consent, indulgence, waiver or other action, inaction or omission under or concerning the Sublease, (k) any dealings or transactions or matter or thing occurring between Sublandlord and Subtenant, or (l) any other circumstance or

condition that may grant or result in a discharge, limitation or reduction of liability of a surety or guarantor.

4. No delay on the part of Sublandlord in exercising any right, power or privilege under this Guarantee nor any failure to exercise the same shall operate as a waiver of or otherwise affect any right, power or privilege, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

5. Guarantor shall at any time and from time to time, within five (5) days following request by Sublandlord, execute, acknowledge and deliver to Sublandlord a statement certifying that this Guarantee is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating such modifications).

6. As a further inducement to Sublandlord to execute and deliver the Sublease and in consideration thereof, Guarantor covenants and agrees that in any action or proceeding brought on, under or by virtue of this Guarantee, Guarantor shall and hereby does waive trial by jury.

7. Guarantor represents and warrants to Sublandlord that Guarantor has received a true and complete copy of the Sublease and the Prime Lease.

8. If, by reason of (i) the operation of any bankruptcy, insolvency, reorganization, arrangement, assignment for the benefit of creditors, receivership, trusteeship or other law for the relief of debtors, now or hereafter enacted, or (ii) any judgment, decree or order of any court or administrative body having jurisdiction over Subtenant or Guarantor or any of their property, pursuant to or in connection with any such laws, any payment or performance or property received by Sublandlord on account of any obligation under the Sublease or this Guarantee is required to be transferred, refunded or paid over to any party other than Sublandlord, or if Sublandlord should settle any claim with respect thereto, then, in such event, Guarantor agrees to pay to Sublandlord the amount so required (or agreed in settlement) to be refunded, transferred, or paid over by Sublandlord and the obligations of Guarantor under this Guarantee shall not be treated as having been discharged by reason of the payment or performance so refunded, transferred or paid over and Guarantor shall also be and remain liable to Sublandlord hereunder for any amounts unpaid on account of the obligations guaranteed hereby. Sublandlord shall not be required to litigate or otherwise dispute its obligation to make such refund, transfer or payment if, in good faith and on the advice of counsel, it believes that such obligation exists.

9. No waiver or modification of any provision of this Guarantee nor any termination of this Guarantee shall be effective unless in writing and signed by the party against which the waiver, modification or termination is sought to be enforced, nor shall any waiver be applicable except in the specific instance for which it is given.

10. The validity and enforcement of this Guarantee shall be governed by and construed in accordance with the internal laws of the State of New York without regard to principles of conflicts of law.

11. All notices and other communications (collectively, "Notices") desired or required to be given under this Guarantee shall be in writing and given or made by personal delivery or by prepaid certified or registered mail, return receipt requested, addressed, in the case of Sublandlord, to the address set forth on the first page of this Guarantee, to the attention of General Counsel, and, in the case of Guarantor, to the address set forth on the first page of this Guarantee. All Notices shall be deemed given or served on the day delivered or deposited in the United States mail.

12. Any indebtedness or obligation of Subtenant to Guarantor is hereby expressly subordinated as to priority of lien, time of payment and in all other respects to all sums at any time owing to Sublandlord under the Guarantee and Guarantor shall not be entitled to enforce or receive payment on account of such other indebtedness until all sums owing to Sublandlord have been paid. Any sums so received by Guarantor shall be held in trust for and paid over to Sublandlord.

13. This Guarantee shall be binding upon and inure to the benefit of Guarantor and Sublandlord and their respective heirs, successors and permitted assigns. Each right and remedy of Sublandlord provided for under this Guarantee or under law or in equity shall be separate and cumulative and it is agreed that the exercise by Sublandlord of any one or more of such rights and remedies shall not be deemed to be in exclusion of any other remedy available to Sublandlord and shall not limit or prejudice any other legal or equitable remedy which Sublandlord may have.

14. If any provision of this Guarantee or the application thereof to any person or circumstance shall to any extent be held void, unenforceable or invalid, the remainder of this Guarantee or the application of such provision to persons or circumstances other than those as to which it is held void, unenforceable or invalid, shall not be affected thereby and each provision of this Guarantee shall be valid and enforceable to the fullest extent permitted by law.

[The Remainder Of The Page Is Intentionally Left Blank]

IN WITNESS WHEREOF, Guarantor has caused this Guarantee to be duly executed as of the day and year first above written.

RONALD S. LAUDER, Guarantor

By: /s/Ronald S. Lauder
Name: Ronald S. Lauder

Exhibit 10.5

FIRST AMENDMENT TO SUBLEASE

THIS FIRST AMENDMENT TO SUBLEASE (this "Amendment") made as of the 28th day of February, 2007, by and between **ARAMIS INC**., a Delaware corporation, and a wholly−owned subsidiary of THE ESTÉE LAUDER COMPANIES INC., having an address at 767 Fifth Avenue, New York, New York 10153 ("Sublandlord"), and **RSL MANAGEMENT CORP.**, a Delaware corporation, having an address at 767 Fifth Avenue, New York, New York 10153 ("Subtenant").

W I T N E S S E T H

WHEREAS, by that certain Lease dated as of July 10, 2003, between 767 Fifth Avenue, LLC ("Landlord"), as landlord, and Sublandlord, as tenant, as amended pursuant to (i) that certain First Amendment to Lease dated as of April 1, 2004, between Landlord and Sublandlord, (ii) that certain Second Amendment to Lease dated as of December 28, 2004, between Landlord and Sublandlord, and (iii) that certain Third Amendment to Lease dated as of January 5, 2007, between Landlord and Sublandlord (as amended, the "Prime Lease"), Prime Landlord leased to Sublandlord certain premises (the "Premises"), more particularly described in the Prime Lease, located on the 37th through 43rd floors, the 45th and 46th floors, the 6th floor, and concourse and basement levels of the building situated in the Borough of Manhattan, City, County and State of New York and known by the street address 767 Fifth Avenue, New York, New York 10153 (the "Building"), for a term expiring at noon on March 31, 2020.

WHEREAS, Subtenant is subleasing from Sublandlord a portion of the Premises (the "Demised Premises") pursuant to that certain Agreement of Sublease dated as of April 1, 2005, between Sublandlord and Subtenant (the "Existing Sublease") for a term expiring at 11:59 pm on March 31, 2010.

WHEREAS, Subtenant has surrendered to Sublandlord a portion of the Demised Premises consisting of 613 usable square feet and indicated by cross−hatching on Exhibit A attached hereto and made a part hereof (the "Surrendered Space") and Sublandlord has accepted such surrender from Subtenant upon the terms and conditions set forth in this Amendment.

WHEREAS, Sublandlord and Subtenant desire to modify and amend the Existing Sublease as hereinafter provided. The Existing Sublease, as the same is amended by this Amendment, is hereinafter referred to as the "Sublease".

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, Sublandlord and Subtenant hereby agree as follows:

1. Definitions. All capitalized terms used herein shall have the meanings ascribed to them in the Sublease unless otherwise specifically set forth herein to the contrary.

2. Surrender. Effective as of November 30, 2006 (the "Surrender Date"), Subtenant's tenancy and right to occupy the Surrendered Space did terminate and come to an end. Subtenant vacated and surrendered to Sublandlord the entire Surrendered Space free of all tenancies and occupancies, as if the Surrender Date were the date originally fixed for the expiration of the term of the Sublease with respect to the Surrendered Space and otherwise fully complied with the provisions of the Sublease with respect to the surrender of the Surrendered Space. Effective as of the Surrender Date, the Sublease was amended such that: (i) Fixed Rent was reduced to $598,759.92 per annum; (ii) Subtenant's Proportionate Share was reduced to 18.15%; and (iii) the Additional Rent with respect to Services supplied solely to Suite 4200 of the Building (comprising the Demised Premises and additional office space of 2,537 usable square feet) was reduced to 63.02%. It is the intent of the parties that from and after the Surrender Date, the Demised Premises shall not include the Surrendered Space.

3. Representation Regarding Sublease. Each of Sublandlord and Subtenant represent and warrant to the other that the Sublease is in full force and effect and represents the entire agreement between Sublandlord and Subtenant with respect to the Demised Premises and there are no other amendments, modifications or supplements thereto, or any other understandings, contracts, agreements or commitments of any kind whatsoever, whether oral or written.

4. Broker Representation. Each party hereto covenants, warrants and represents to the other party that it has had no dealings, conversations or negotiations with any broker concerning the execution and delivery of this Amendment. Each party hereto agrees to defend, indemnify and hold harmless the other party against and from any claims for any brokerage commissions and all costs, expenses and liabilities in connection therewith, including, without limitation, reasonable attorneys' fees and disbursements, arising out of its respective representations and warranties contained in this Paragraph 4 being untrue.

5. No Implied Amendment. Except as expressly set forth in this Amendment, the terms and conditions of the Sublease shall continue in full force and effect without any change or modification and shall apply for the balance of the term of the Sublease. In the event of a conflict between the terms of the Sublease and the terms of this Amendment, the terms of this Amendment shall govern.

6. Amendment. This Amendment shall not be altered, amended, changed, waived, terminated or otherwise modified in any respect or particular, and no consent or approval required pursuant to this Amendment shall be effective, unless the same shall be in writing and signed by or on behalf of the party to be charged.

7. Successors and Assigns. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, executors, administrators, successors and permitted assigns.

8. Merger. All prior statements, understandings, representations and agreements between the parties, oral or written, are superseded by and merged in the

Sublease as amended by this Amendment, which alone fully and completely expresses the agreement between them in connection with this transaction and which is entered into after full investigation, neither party relying upon any statement, understanding, representation or agreement made by the other not embodied in the Sublease as amended by this Amendment.

9. Governing Law. This Amendment shall be interpreted and enforced in accordance with the laws of the state of New York.

10. Severability. If any provision of this Amendment shall be unenforceable or invalid, the same shall not affect the remaining provisions of this Amendment and to this end the provisions of this Amendment are intended to be and shall be severable.

11. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

12. Authority. Subtenant and Sublandlord, and each of the persons executing this Amendment on behalf of Subtenant and Sublandlord, do hereby warrant that the party for which they are executing this Amendment has full right and authority to enter into this Amendment, and that any person signing on behalf of such party is authorized to do so.

13. No Offer. This Amendment shall not be binding upon either party unless and until it is fully executed and delivered to both parties.

14. Captions. The captions preceding all of the paragraphs of this Amendment are intended only for convenience of reference and in no way define, limit or describe the scope of this Amendment or the intent of any provision hereof.

IN WITNESS WHEREOF, Sublandlord and Subtenant have executed this Amendment as of the date and year first above written.

SUBLANDLORD: ARAMIS INC.		SUBTENANT: RSL MANAGEMENT CORP.	
By:	/s/George H. Martini	By:	/s/Jacob Z. Schuster
Name:	George H. Martini	Name:	Jacob Z. Schuster
Title:	Vice President, Deputy General Counsel and Assistant Secretary	Title:	President

Exhibit 10.6

SECOND AMENDMENT TO SUBLEASE

THIS SECOND AMENDMENT TO SUBLEASE (the "Second Amendment") made as of the 27th day of January, 2010, by and between **ARAMIS INC**., a Delaware corporation, and a wholly−owned subsidiary of THE ESTÉE LAUDER COMPANIES INC., having an address at 767 Fifth Avenue, New York, New York 10153 ("Sublandlord"), and **RSL MANAGEMENT CORP.**, a Delaware corporation, having an address at 767 Fifth Avenue, New York, New York 10153 ("Subtenant").

W I T N E S S E T H

WHEREAS, by that certain Lease dated as of July 10, 2003, between 767 Fifth Avenue, LLC ("Landlord"), as landlord, and Sublandlord, as tenant, as amended pursuant to (i) that certain First Amendment to Lease dated as of April 1, 2004, between Landlord and Sublandlord, (ii) that certain Second Amendment to Lease dated as of December 28, 2004, between Landlord and Sublandlord, and (iii) that certain Third Amendment to Lease dated as of January 5, 2007, between Landlord and Sublandlord (as amended, the "Prime Lease"), Prime Landlord leased to Sublandlord certain premises (the "Premises"), more particularly described in the Prime Lease, located on the 37th through 43rd floors, the 45th and 46th floors, the 6th floor, and concourse and basement levels of the building situated in the Borough of Manhattan, City, County and State of New York and known by the street address 767 Fifth Avenue, New York, New York 10153 (the "Building"), for a term expiring at noon on March 31, 2020.

WHEREAS, Subtenant is subleasing from Sublandlord a portion of the Premises (the "Demised Premises") pursuant to that certain Agreement of Sublease dated as of April 1, 2005, between Sublandlord and Subtenant as amended pursuant to that certain First Amendment To Sublease dated as of February 28, 2007, between Sublandlord and Subtenant, (the "Existing Sublease") for a term expiring at 11:59 pm on March 31, 2010.

WHEREAS, Subtenant surrendered to Sublandlord an area consisting of 576 usable square feet of the Demised Premises (the "Surrendered Space") and Sublandlord accepted such surrender from Subtenant upon the terms and conditions set forth in the First Amendment to Sublease.

WHEREAS, Sublandlord and Subtenant desire to modify and amend the Existing Sublease as hereinafter provided. The Existing Sublease, as the same is amended by this Second Amendment, is hereinafter referred to collectively as the "Sublease".

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, Sublandlord and Subtenant hereby agree as follows:

1. Definitions. All capitalized terms used herein shall have the meanings ascribed to them in the Existing Sublease unless otherwise specifically set forth herein to the contrary.

2. Modifications of Suite 4200 of the Building and the Surrendered Space. The parties acknowledge and agree to the following:

a. Effective as of January 1, 2010, the areas comprising Suite 4200 of the Building, as and where shown on Exhibit A attached hereto and made a part hereof, consist of the following: (i) the Surrendered Space consisting of 883 rentable square feet; (ii) the Demised Premises consisting of 6,633 rentable square feet; and (iii) the additional office space consisting of 3,314 rentable square feet; and

b. Effective as of January 1, 2010, the following occurred: (i) the Fixed Rent was reduced to $592,418.63 per annum; (ii) the Subtenant's Proportionate Share was reduced to 17.49%; and (iii) the Subtenant's Proportionate Share of the Additional Rent with respect to Services supplied solely to Suite 4200 of the Building (exclusive of the Surrendered Space) as set forth in Subsection 6 B of the Existing Sublease was reduced to 66.68%.

3. Extension of Sublease Term and Fixed Rent. The Term of the Sublease shall be extended to include the period commencing April 1, 2010 and ending at 11:59 p.m. on March 30, 2020 (the "Extension Term"). Upon commencement of the Extension Term and continuing until September 30, 2012, the Fixed Rent shall be $592,418.63 per annum payable in equal monthly installments of $49,368.22 per month; and for the period commencing on October 1, 2012 and ending upon expiry of the Extension Term, the Fixed Rent shall be $660,512.64 per annum payable in equal monthly installments of $55,042.72 per month. The monthly installments of Fixed Rent shall be payable in advance on the first day of each and every calendar month during the Extension Term.

4. Representation Regarding Sublease. Each of Sublandlord and Subtenant represents and warrants to the other that the Sublease is in full force and effect and represents the entire agreement between Sublandlord and Subtenant with respect to the Demised Premises, and there are no other amendments, modifications or supplements thereto, or any other understandings, contracts, agreements or commitments of any kind whatsoever, whether oral or written.

5. Broker Representation. Each party hereto covenants, warrants and represents to the other party that it has had no dealings, conversations or negotiations with any broker concerning the execution and delivery of this Amendment. Each party hereto agrees to defend, indemnify and hold harmless the other party against and from any claims for any brokerage commissions and all costs, expenses and liabilities in connection therewith, including, without limitation, reasonable attorneys' fees and disbursements, arising out of the indemnifying party's breach of its respective representations and warranties contained in this Paragraph 5.

6. No Implied Amendment. Except as expressly set forth in this Amendment, the terms and conditions of the Sublease shall continue in full force and effect without any change or modification and shall apply for the balance of the term of the Sublease. In the event of a conflict between the terms of the Sublease and the terms of this Amendment, the terms of this Amendment shall govern.

7. Amendment. This Amendment shall not be altered, amended, changed, waived, terminated or otherwise modified in any respect or particular, and no consent or approval required pursuant to this Amendment shall be effective, unless the same shall be in writing and signed by or on behalf of the party to be charged.

8. Successors and Assigns. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, executors, administrators, successors and permitted assigns.

9. Merger. All prior statements, understandings, representations and agreements between the parties, oral or written, are superseded by and merged in the Sublease as amended by this Amendment, which alone fully and completely expresses the agreement between them in connection with this transaction and which is entered into after full investigation, neither party relying upon any statement, understanding, representation or agreement made by the other not embodied in the Sublease as amended by this Amendment.

10. Governing Law. This Amendment shall be interpreted and enforced in accordance with the laws of the state of New York.

11. Severability. If any provision of this Amendment shall be unenforceable or invalid, the same shall not affect the remaining provisions of this Amendment and to this end the provisions of this Amendment are intended to be and shall be severable.

12. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

13. Authority. Subtenant and Sublandlord, and each of the persons executing this Amendment on behalf of Subtenant and Sublandlord, do hereby warrant that the party for which they are executing this Amendment has full right and authority to enter into this Amendment, and that any person signing on behalf of such party is authorized to do so.

14. No Offer. This Amendment shall not be binding upon either party unless and until it is fully executed and delivered to both parties.

15. Captions. The captions preceding all of the paragraphs of this Amendment are intended only for convenience of reference and in no way define, limit or describe the scope of this Amendment or the intent of any provision hereof.

IN WITNESS WHEREOF, Sublandlord and Subtenant, and for the purpose of ratifying the GUARANTEE OF SUBLEASE for the Extension Term, the Guarantor, have executed this Amendment as of the date and year first above written.

SUBLANDLORD:
ARAMIS INC.

By: /s/Richard W. Kunes
Name: Richard W. Kunes
Title: Executive Vice President and Chief Financial Officer

SUBTENANT:
RSL MANAGEMENT CORP.

By: /s/Jacob Z. Schuster
Name: Jacob Z. Schuster
Title: President

RONALD S. LAUDER, Guarantor

By: /s/Ronald S. Lauder
Name: Ronald S. Lauder

Exhibit 10.7

ART LOAN AGREEMENT

Art Loan Agreement (the "Agreement"), dated as of _____, ___ by and between _____("Lender"), and Estee Lauder Inc., a Delaware Corporation ("Borrower").

W I T N E S S E T H:

WHEREAS, Lender is the owner of each of the works of art (each an "Item") described on Schedule A hereto (collectively, the "Art"); and

WHEREAS, Lender and Borrower have agreed to exhibit the Art on the premises of the Borrower or any of its affiliates pursuant to, and in accordance with the provisions of this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants hereinafter contained, the parties hereto hereby agree as follows:

1. Loans; Term. (a) The Lender hereby agrees to lend each of the Items of Art to the Borrower in accordance with the terms and conditions hereof until _____, ____. Such term shall be renewed automatically in respect of each Item for an additional period of twelve months unless, by the first business day of _____ immediately prior to the end of the applicable term, one of the parties hereto notifies the other of its intention not to renew. The term in respect of any Item may be shortened by Lender, in its sole discretion, by ten days' prior written notice given to the Borrower. Schedule A will be modified from time to time by Lender as necessary to reflect the status of the Items covered by this Agreement. Changes in Schedule A shall be specifically identified and reported by the Lender to the Borrower no later than ten days after the month in which the change or changes occurred.

(b) Upon expiration of the term in respect of any Item, the Lender shall be responsible for moving any Item from the premises of the Borrower (or its affiliate as the case may be).

2. Care. The Borrower will exercise the same care with respect to the Art as it does in the safekeeping of comparable property of its own.

3. Location; Moving. (a) Loaned Items shall remain in the possession of the Borrower (or one or more of its affiliates) for the duration of the term, subject to the right of the Lender to sell or to lend to museums if requested for exhibition any or all Items covered by this Agreement.

(b) At its option, the Lender may direct the Borrower to move any Item from the premises of the Borrower (or its affiliates). The costs associated with such move shall be borne by the Lender.

(c) The Borrower is permitted to move or direct the move of any Item from one place on its or its affiliate's premises directly to another place on its or its affiliate's premises. The costs associated with such move shall be borne by the Borrower.

4. Insurance. (a) Unless the Lender expressly elects in writing to maintain its own insurance coverage with respect to an Item, the Borrower will insure the Item wall−to−wall under its fine−arts policy for the amount indicated as the insurance value on Schedule A against all risks of physical loss or damage from any external cause while in transit and on location during the term of the loan. If no amount of insurance value is indicated, the Borrower will insure the work at its own estimated valuation. The Borrower's fine arts policy currently contains the exclusions set forth on Schedule B. Such exclusions may be modified from time to time and Borrower shall notify lender as soon as practicable of such changes. Borrower shall, under no circumstances, be liable to Lender or any other person for losses related to any Item to the extent such losses are not covered by the Borrower's fine arts policy.

(b) If the Lender elects in writing to maintain his own insurance coverage, the Borrower must be supplied with a certificate of insurance naming the Borrower (including its affiliates) as additional insured or waiving subrogation against the Borrower and its affiliates. Otherwise, this Agreement shall constitute a release of the Borrower and its affiliates, their officers, their agents and their employees from liability for any and all claims arising out of loss or damage to the loaned property. The Borrower shall not be responsible for any error or deficiency in information furnished to the Lender's insurer or for lapses in coverage.

5. Identification of Items. At the request of the Lender, the Borrower will, at its cost, place or affix identification tags near the Item which will sufficiently identify the title of the Item, the artist and the owner of the Item.

6. Miscellaneous. (a) This Agreement contains the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes all prior written or oral agreements and understandings with respect thereto. This Agreement may only be amended or modified, and the terms hereof may only be waived, by a writing signed by all parties hereto or, in the case of a waiver, by the party entitled to the benefit of the terms being waived.

(b) This Agreement may not be assigned or delegated, in whole or in part, by any party hereto without the prior written consent of the other party; provided, however, that the Borrower may assign or delegate its rights and obligations, in whole or in part, to any corporation, partnership, limited liability company or other legal entity that is a direct or indirect majority−owned subsidiary

of The Estée Lauder Companies Inc., a Delaware corporation ("ELC"). This Agreement shall be binding upon the parties, their successors and assigns.

(c) This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York without regard to principles therefor relating to the conflict of law or choice of laws.

(d) Any notices or other communications given pursuant to this Agreement shall be in writing and shall be effective upon delivery by hand or upon receipt if sent by certified or registered mail (postage prepaid and return receipt requested) or by a nationally recognized overnight courier service (appropriately marked for overnight delivery) or upon transmission if sent by facsimile. Notices are to be addressed as follows:

(i) If to the Lender:

(ii) If to the Borrower:

or to such other respective addresses as either of the parties hereto shall designate to the others by like notice, provided that notice of a change of address shall be effective only upon receipt thereof.

(e) For purposes of this Agreement, "affiliate of the Borrower" means any corporation, partnership, limited liability company or other legal entity that is a direct or indirect majority−owned subsidiary of ELC.

IN WITNESS WHEREOF, each of the parties has executed this Art Loan Agreement as of the date first written above.

Lender	Borrower
By: _____	By: _____
Name:	Name:
Title:	Title:

Schedule A

Schedule A should have the following information in respect of each item of Art:

1. Artist
2. Title of Work
3. Media
4. Dimensions
5. Cost or Price Paid (Date of Purchase or Date Received by Owner)
6. F.M.V. or Appraisal Value
7. Insurance Value
8. Location

Schedule B

Fine Arts Insurance

The policy does not insure:

1. Wear and tear, gradual deterioration, moths, vermin, inherent vice, or loss or damage sustained due to or resulting from any repairing, restoration, or retouching process.

2. (1) Hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack, (a) by any government or sovereign power (de jure or de facto); or by any authority maintaining or using military, naval or air forces; or (b) by military, naval or air forces; or (c) by an agent of any such government power, authority or forces; (2) any weapon of war employing atomic fission or radioactive force whether in time of peace or war; (3) insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.

3. Shipments by mail unless registered first class mail or parcel post provided, however, such shipments by parcel post shall not exceed the sum of $100 in value. However, in no event shall the Company be liable for more than the Transit Limit stated on the Coverage Information Page of this policy.

4. Against loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the perils insured against in this policy; however, subject to the foregoing and all provisions of this policy, direct loss by fire resulting from nuclear reaction or nuclear radiation or radiation or radioactive contamination is insured against by this policy.

5. Loss or damage to the insured property on the premises of fair grounds or any national or international exposition unless such premises are specifically described by endorsement hereto.

6. Loss or damage caused directly or indirectly by terrorism, including action in hindering or defending against an actual or expected incident of terrorism. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss. Terrorism means activities against persons, organizations or property of any nature:

1. That involve the following or preparation for the following:

(a) Use or threat of force or violence; or

(b) Commission or threat of a dangerous act; or

(c) Commission or threat of an act that interferes with or disrupts an electronic communication, information, or mechanical system; and

2. When one or both of the following applies:

(a) The effect is to intimidate or coerce a government or the civilian population or any segment thereof, or to disrupt any segment of the economy; or

(b) It appears that the intent is to intimidate or coerce a government, or to further political, ideological, religious, social or economic objectives or to express (or express opposition to) a philosophy or ideology.

EXHIBIT 31.1

Certification

I, Fabrizio Freda certify that:

1. I have reviewed this Quarterly Report on Form 10−Q of The Estée Lauder Companies Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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: January 28, 2010

/s/ FABRIZIO FREDA

Fabrizio Freda
President and Chief Executive Officer

EXHIBIT 31.2

Certification

I, Richard W. Kunes certify that:

1. I have reviewed this Quarterly Report on Form 10−Q of The Estée Lauder Companies Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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: January 28, 2010

/s/ RICHARD W. KUNES

Richard W. Kunes
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

Certification
Pursuant to Rule 13a−14(b) or
Rule 15d−14(b) and 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the
Sarbanes−Oxley Act of 2002)

Pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002), the undersigned officer of The Estée Lauder Companies Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10−Q for the quarter ended December 31, 2009 (the "10−Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)), and the information contained in the 10−Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 28, 2010

/s/ FABRIZIO FREDA
Fabrizio Freda
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002) and for no other purpose.

EXHIBIT 32.2

Certification
Pursuant to Rule 13a−14(b) or
Rule 15d−14(b) and 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the
Sarbanes−Oxley Act of 2002)

Pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002), the undersigned officer of The Estée Lauder Companies Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10−Q for the quarter ended December 31, 2009 (the "10−Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)), and the information contained in the 10−Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 28, 2010

/s/ RICHARD W. KUNES
Richard W. Kunes
Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002) and for no other purpose.