FORM 10−K

CLAIBORNE LIZ INC − LIZ

Filed: March 11, 2004 (period: January 03, 2004)

Annual report which provides a comprehensive overview of the company for the past year

Table of Contents

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EX−10 (Material contracts)

EX−10 (Material contracts)

EX−10 (Material contracts)

EX−10 (Material contracts)

EX−10 (Material contracts)

EX−10 (Material contracts)

EX−10 (Material contracts)

EX−10 (Material contracts)

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EX−10 (Material contracts)

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

FORM 10-K

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

For the fiscal year ended January 3, 2004

ommission File Number 1-10689

LIZ CLAIBORNE, INC.

(Exact name of registrant as specified in its charter)

Delaware	13-2842791
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1441 Broadway, New York, New York	10018
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 212-354-4900

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Act") 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 X No

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes X No

Based upon the closing sale price on the New York Stock Exchange composite tape on July 3, 2003, the last business day of the registrant's most recently completed second fiscal quarter, which quarter ended July 5, 2003, the aggregate market value of the registrant's Common Stock, par value $1 per share, held by non-affiliates of the registrant on such date was approximately $3,791,932,000. For purposes of this calculation, only executive officers and directors are deemed to be the affiliates of the registrant.

Number of shares of the registrant's Common Stock, par value $1 per share, outstanding as of March 2, 2004: 110,794,722 shares.

Documents Incorporated by Reference:

Registrant's Proxy Statement relating to its Annual Meeting of Stockholders to be held on May 20, 2004-Part III.

PART I

Item 1. Business.

OVERVIEW AND NARRATIVE DESCRIPTION OF BUSINESS

General

Liz Claiborne, Inc. designs and markets an extensive portfolio of branded women's and men's apparel, accessories and fragrance products. Our current portfolio of brands includes most apparel and non-apparel categories, reaching consumers regardless of age, gender, size, attitude, shopping or value preference. Our products run the full fashion gamut, from classic and traditional to modern and contemporary, for every wearing occasion. Our brands include AXCESS, BORA BORA, CLAIBORNE, CRAZY HORSE, CURVE, DANA BUCHMAN, ELISABETH, ELLEN TRACY, EMMA JAMES, ENYCE, FIRST ISSUE, INTUITIONS, J. H. COLLECTIBLES, JANE STREET, JUICY COUTURE, LAUNDRY BY SHELLI SEGAL, LIZ CLAIBORNE, LUCKY BRAND, MAMBO, MARVELLA, MEXX, MONET, MONET 2, REALITIES, SIGRID OLSEN, SPARK, TRIFARI and VILLAGER. In addition, we hold certain licenses for men's, junior's and women's sportswear, jeanswear and activewear under the DKNY(R) JEANS and DKNY(R) ACTIVE trademarks, women's sportswear under the CITY DKNY(R) trademark, women's apparel products under the KENNETH COLE NEW YORK, REACTION KENNETH COLE and UNLISTED.COM trademarks, jewelry products under the KENNETH COLE NEW YORK and REACTION KENNETH COLE trademarks, and fragrance, cosmetic and beauty products under the CANDIE'S trademark.

Under our multi-channel distribution strategy, our brands are available at over 30,000 different retail locations throughout the world, including our own specialty retail and outlet stores, and on our Elisabeth, Lucky Brand, and Mexx E-commerce sites. We believe that we are one of the largest suppliers of women's branded apparel and accessories in the United States.

As used herein, the terms "Company", "we", "us" and "our" refer to Liz Claiborne, Inc., a Delaware corporation, together with its consolidated subsidiaries.

On April 7, 2003, we completed the purchase of Juicy Couture, Inc. ("Juicy Couture"), formerly Travis Jeans, Inc., a privately held fashion apparel company. Juicy Couture offers a line of upscale casual lifestyle apparel for women, men and children under various Juicy Couture trademarks. Juicy Couture products are sold predominately through select upscale specialty stores and department stores throughout the United States and through distributors in Asia, Canada and Europe. See Note 2 of Notes to Consolidated Financial Statements.

On December 1, 2003, we completed the purchase of Enyce Holding, LLC ("Enyce"), a privately held fashion apparel company. Enyce offers fashion forward streetwear for men and women under the ENYCE (R) and LADY ENYCE (R) trademarks. Enyce products are sold predominately through specialty store chains, better specialty stores and select department stores throughout the United States and through distributors in Canada, Germany and Japan. See Note 2 of Notes to Consolidated Financial Statements.

Business Segments

We operate the following business segments: Wholesale Apparel, Wholesale Non-Apparel and Retail. We also license to third parties the right to produce and market products bearing certain Company-owned trademarks. See Note 20 of Notes to Condensed Consolidated Financial Statements and "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations."

We also present our results on the following geographic basis:

- Domestic: wholesale customers and our specialty retail and outlet stores located in the United States; and
- International: wholesale customers and our specialty retail and outlet stores and concession stores located outside of the United States.

Wholesale Apparel. This segment consists of women's, men's and children's apparel designed, marketed, produced and sold worldwide under various trademarks that we own or license from third-party owners. Substantially all products in each sportswear collection are sold at retail as separate items.

Our LIZ CLAIBORNE business offers women's career and casual sportswear for the "better" market, in misses and petite sizes, including knitwear, twill and denim products, under our LIZ CLAIBORNE trademark. As previously announced, commencing with the Spring 2004 season, products previously offered under our COLLECTION, LIZSPORT, LIZWEAR JEANS and LIZ & CO. trademarks will be offered under our LIZ CLAIBORNE trademark. This business also offers a line of women's performancewear under the LIZ GOLF trademark.

Our LIZ CLAIBORNE WOMAN business offers classic careerwear, weekend casual and wardrobe basics in large sizes (including petite proportions) under our LIZ CLAIBORNE WOMAN trademark.

Our MEXX business offers a wide range of men's, women's and children's fashion apparel and accessories for sale outside of the United States under several trademarks including MEXX (men's and women's fashion sportswear), MEXXSPORT (performance sportswear), and XX BY MEXX (coordinated contemporary separates). See Note 2 of Notes to Consolidated Financial Statements for a discussion of our acquisition of MEXX. Commencing with the third quarter of 2003, MEXX products are sold in domestic specialty retail stores operated under the MEXX tradename. See Retail below.

Our Men's business offers men's business-casual wear and sportswear under our CLAIBORNE trademark; a line of moderate priced men's wear and dress shirts under our CRAZY HORSE trademark; and a line of moderate priced, fashion-forward men's apparel under our AXCESS/Men trademark. This business also offers a line of men's sportswear, jeanswear and activewear under the DKNY(R) JEANS and DKNY(R) ACTIVE trademarks and logos, pursuant to the exclusive license we hold to design, produce, market and sell these products in the Western Hemisphere. We license to a third-party the right to design, manufacture and distribute a line of dress shirts under the CLAIBORNE trademark. See Note 3 of Notes to Consolidated Financial Statements.

Our DANA BUCHMAN business offers collections of products for the women's "bridge" market, in misses, large and petite sizes under our DANA BUCHMAN trademark.

Our ELLEN TRACY business offers women's sportswear for the "bridge" market under our ELLEN TRACY, LINDA ALLARD ELLEN TRACY and COMPANY ELLEN TRACY trademarks. See Note 2 of Notes to Consolidated Financial Statements for a discussion of the acquisition of Ellen Tracy, Inc.

Our Special Markets business offers women's updated career and casual clothing at moderate prices under the following Company trademarks: AXCESS (fashion-forward women's apparel, sold principally in Mervyn's and Kohl's department stores), EMMA JAMES (related separates for the casual workplace, sold principally in department stores); VILLAGER (relaxed separates for soft career and weekend dressing, sold principally in Mervyn's and Kohl's department stores); FIRST ISSUE (casual career and everyday wear, sold principally in Sears department stores); CRAZY HORSE (casual separates, sold principally in J.C. Penney stores); CRAZY HORSE COLLECTION (casual and business-casual apparel, sold principally in J.C. Penney stores); and J.H. COLLECTIBLES (a collection of relaxed feminine apparel, sold principally in department stores). During 2003, we ceased selling products under our RUSS trademark at Wal-Mart stores. See "Competition; Certain Risks" below.

Our DKNY(R) JEANS and DKNY(R) ACTIVE business offers junior's and women's sportswear, jeanswear and activewear under the DKNY(R) JEANS and DKNY(R) ACTIVE trademarks and logos for sale in the Western Hemisphere, pursuant to the exclusive license we hold to design, produce, market and sell these products. See Note 3 of Notes to Consolidated Financial Statements.

Our CITY DKNY(R) business offers women's career and casual sportswear for the "better" market, under the CITY DKNY(R) trademark and logo for sale in the United States, pursuant to the exclusive license we hold to design, produce, market and sell these products. See Note 3 of Notes to Consolidated Financial Statements.

Our SIGRID OLSEN business, which we own by virtue of our ownership of 97.5% of Segrets, Inc ("Segrets"), offers a range of women's sportswear in misses, large and petite sizes under several trademarks, including SIGRID OLSEN COLLECTION (sportswear with a contemporary influence), SIGRID OLSEN SPORT (updated casual sportswear with a novelty inspiration), and SO BLUE BY SIGRID OLSEN (contemporary casual sportswear with a jeanswear influence). See Note 2 of Notes to Consolidated Financial Statements for a discussion of our acquisition of Segrets, Inc.

Our LUCKY BRAND business offers women's and men's denim-based sportswear under various LUCKY BRAND

trademarks. See Note 2 of Notes to Consolidated Financial Statements for a discussion of our acquisition of Lucky Brand Dungarees, Inc.

Our KENNETH COLE NEW YORK business offers "better" women's modern sportswear under the KENNETH COLE NEW YORK label, and women's status denim and sportswear under the REACTION KENNETH COLE label and has the right to offer junior-sized apparel under the UNLISTED.COM label, for sale in North America pursuant to the exclusive license we hold to manufacture, design, market and distribute these products. The term of the license agreement is scheduled to expire on December 31, 2004. See Note 3 of Notes to Consolidated Financial Statements.

Our LAUNDRY business offers women's modern sportswear and dresses under the LAUNDRY BY SHELLI SEGAL trademark. In January 2004, this business introduced a line of dresses under our JANE STREET trademark, to be sold primarily through department and specialty stores. Shipping of the JANE STREET line is expected to commence in the third quarter of 2004.

Our JUICY COUTURE business offers upscale women's, men's and children's casual wear under various JUICY COUTURE trademarks. See Note 2 of Notes to Consolidated Financial Statements for a discussion of the acquisition of JUICY COUTURE.

Our ENYCE business offers men's and women's fashion forward streetwear under our ENYCE and LADY ENYCE trademarks. See Note 2 of Notes to Consolidated Financial Statements for a discussion of the acquisition of ENYCE.

Each of the above businesses presented four seasonal collections during 2003, except DANA BUCHMAN and ELLEN TRACY, which presented three collections, and LAUNDRY and JUICY COUTURE, which presented five collections.

In November 2003, we introduced a line of women's sportswear for the "better" market under our REALITIES trademark, to be sold in Bloomingdale's, Lord & Taylor, Nordstrom and other select department stores. Shipping of the REALITIES line commenced in January 2004.

In January 2004, we commenced shipping a line of women's sportswear under our INTUITIONS trademark, for sale exclusively at Dillard's department stores.

Wholesale Non-Apparel. This segment consists of accessories, jewelry and cosmetics designed, marketed, produced and sold worldwide under various trademarks we own or license from third-party owners.

Our Accessories business offers an array of handbags, small leather goods and fashion accessories under our LIZ CLAIBORNE, LUCKY BRAND, MEXX, SIGRID OLSEN (which commenced shipping in the first quarter of 2003), and ELLEN TRACY (which commenced shipping in the third quarter of 2003) trademarks. In February 2004, we commenced shipping lines of accessories under our INTUITIONS and JUICY COUTURE trademarks. We will commence shipping a line of accessories under our REALITIES trademark in the third quarter of 2004.

Our Special Markets Accessories business offers jewelry, handbags and fashion accessories under our CRAZY HORSE and VILLAGER trademarks, and jewelry and handbags under our AXCESS trademark.

Our Jewelry business offers a selection of jewelry under our LIZ CLAIBORNE, LUCKY BRAND, MEXX, MONET, MONET 2, TRIFARI and MARVELLA trademarks. In February 2004, we commenced shipping lines of jewelry under our INTUITIONS and JUICY COUTURE trademarks. We will commence shipping a line of jewelry under our REALITIES trademark in the third quarter of 2004. We also hold the license to manufacture, design, market and distribute women's jewelry bearing the KENNETH COLE NEW YORK and REACTION KENNETH COLE trademarks. See Note 3 of Notes to Consolidated Financial Statements.

The offerings of our Accessories, Special Markets Accessories and Jewelry businesses mirror major fashion trends and are intended to complement many of our other product lines.

Our Cosmetics business offers fragrance and bath and body-care products for women under our LIZ CLAIBORNE and LIZSPORT, for men under our CLAIBORNE SPORT, and for men and women under our BORA BORA, CURVE, CURVE CRUSH, LUCKY YOU LUCKY BRAND and MAMBO trademarks. We also offer fragrances, cosmetics and beauty products (for women and men) under the CANDIE'S trademark, which we license from Candie's, Inc. We commenced shipping a line of fragrance and bath and body-care products (for women and men) under our SPARK trademark in July 2003.

Retail. This segment consists of our worldwide retail operations that sell our apparel and non-apparel products to the public through our specialty retail stores, outlet stores and international concession stores (where the retail selling space is either owned and operated by the department store or leased and operated by a third party, while, in each case, we own the inventory).

During 2003, we completed the previously announced closing of our LIZ CLAIBORNE specialty retail store format in the United States, and launched our MEXX and SIGRID OLSEN specialty retail store formats in the United States. See Note 13 of Consolidated Financial Statements.

Specialty Retail Stores. As of March 2, 2004, we operated a total of 235 specialty retail stores, comprised of 124 retail stores within the United States and 111 retail stores outside of the United States, primarily in Western Europe and Canada, under various Company trademarks. Our European LIZ CLAIBORNE flagship store, an approximately 3,000 square foot facility, is located on Regent Street in London, England.

The following table sets forth information, as of March 2, 2004, with respect to our specialty retail stores:

U.S. RETAIL SPECIALTY STORES

Specialty Store Format	Number of Stores	Approximate Average Store Size by Square Footage
LUCKY BRAND DUNGAREES	74	2,400
ELISABETH	32	3,200
SIGRID OLSEN	7	2,400
DANA BUCHMAN	4	4,700
LAUNDRY BY SHELLI SEGAL	3	1,700
MEXX	3	16,200
ELLEN TRACY	1	3,400

FOREIGN RETAIL SPECIALTY STORES

Specialty Store Format	Number of Stores	Approximate Average Store Size by Square Footage
MEXX	80	4,000
MEXX Canada	30	5,000
LIZ CLAIBORNE	1	3,000

Outlet Stores. As of March 2, 2004, we operated a total of 263 outlet stores, comprised of 196 outlet stores within the United States and 67 outlet stores outside of the United States, primarily in Western Europe and Canada, under various Company owned and licensed trademarks.

The following table sets forth information, as of March 2, 2004, with respect to our outlet stores:

U.S. OUTLET STORES

Format	Number of Stores	Approximate Average Store Size by Square Footage
LIZ CLAIBORNE	118	11,000
LIZ CLAIBORNE WOMAN *	21	3,400
DKNY(R)JEANS	17	2,900
ELLEN TRACY	11	3,500
DANA BUCHMAN	12	2,200
Special Brands	6	3,100
CLAIBORNE	4	2,400
LUCKY BRAND DUNGAREES	4	2,800
ELLEN TRACY/DANA BUCHMAN HYBRID	3	4,300

FOREIGN OUTLET STORES

Format	Number of Stores	Approximate Average Store Size by Square Footage
MEXX	30	2,900
LIZ CLAIBORNE	20	2,400
MEXX Canada	17	5,800

* Includes outlet stores formerly operated under the ELISABETH tradename.

Concession Stores. We operate concession stores in select retail stores, under two formats: shop-in-shop stores (where the space is owned and operated by the department store in which the retail selling space is located, while we own the inventory) and high street concession stores (where the retail store is leased and operated by a third-party specialty retailer, while we own the inventory). As of March 2, 2004, the Company operated a total of 553 concession stores in Europe. We do not operate any concession stores in the United States.

The following table sets forth information, as of March 2, 2004, with respect to our concession stores:

FOREIGN CONCESSIONS

Concession Store Format	Number of Stores
LIZ CLAIBORNE Apparel	178
MEXX	210
MONET Jewelry	165

Licensing. We license many of our brands to third parties with specialized skills, thereby extending each licensed brand's market presence. We currently have fifty-one license arrangements pursuant to which third-party licensees produce merchandise under Company trademarks in accordance with designs furnished or approved by us, the present terms of which (not including renewal terms) expire at various dates through 2010. Each of the licenses provides for the payment to the Company of a percentage of the licensee's sales of the licensed products against a guaranteed minimum royalty which generally increases over the term of the agreement. Royalty income from our licensing operations is not included under our wholesale apparel or wholesale non-apparel segments, but is instead included in "Sales from external customers" under "Corporate/Eliminations." See Note 20 of Notes to Consolidated Financial Statements.

The following table sets forth information with respect to select aspects of our licensing business:

PRODUCTS	BRANDS
Women's and Men's outerwear	LIZ CLAIBORNE, AXCESS, CLAIBORNE, CRAZY HORSE, DANA BUCHMAN, ELLEN TRACY
Women's and Men's slippers	LIZ CLAIBORNE, CLAIBORNE
Women's and Men's sunglasses	LIZ CLAIBORNE, AXCESS, CLAIBORNE, ELLEN TRACY, LUCKY BRAND, MEXX, VILLAGER
Women's and Men's belts	CLAIBORNE, ELLEN TRACY
Women's and Men's footwear	LIZ CLAIBORNE, AXCESS, CLAIBORNE, COMPANY ELLEN TRACY, ELLEN TRACY, LINDA ALLARD ELLEN TRACY, LUCKY BRAND, MEXX, VILLAGER
Women's intimate apparel	LIZ CLAIBORNE, LUCKY BRAND, MEXX
Women's legwear	AXCESS, ELLEN TRACY, LUCKY BRAND, MEXX
Women's neckwear	ELLEN TRACY
Women's sleepwear/loungewear	LIZ CLAIBORNE, AXCESS, LUCKY BRAND, VILLAGER
Women's swimwear	LIZ CLAIBORNE, LUCKY BRAND, MEXX
Women's, Men's and Children's watches	MEXX
Women's accessories	LUCKY
Women's dresses and suits	LIZ CLAIBORNE, AXCESS, FIRST ISSUE
Men's accessories	AXCESS, CLAIBORNE, CRAZY HORSE, LUCKY BRAND
Men's and Boy's neckwear	AXCESS, CLAIBORNE, CRAZY HORSE
Men's dress shirts	CLAIBORNE
Men's formalwear and accessories	CLAIBORNE
Men's pants	CLAIBORNE
Men's sleepwear/loungewear/underwear	AXCESS, CLAIBORNE, LUCKY BRAND
Men's socks	CLAIBORNE, LUCKY BRAND, MEXX
Men's tailored clothing	CLAIBORNE
Children's apparel	LIZ CLAIBORNE, CLAIBORNE, LUCKY BRAND
Bed and Bath	LIZ CLAIBORNE, MEXX, VILLAGER
Children's legwear and socks	MEXX
Children's shoes	MEXX
Children's sunglasses	MEXX
Children's swimwear	LUCKY BRAND, MEXX
Jewelry	MEXX
Cosmetics and Fragrances	ELLEN TRACY, MEXX
Decorative fabrics	LIZ CLAIBORNE
Flooring	LIZ CLAIBORNE
Furniture	LIZ CLAIBORNE, MEXX
Home storage	LIZ CLAIBORNE
Optic Products	LIZ CLAIBORNE, CLAIBORNE, ELLEN TRACY, FIRST ISSUE, MEXX
Sewing Patterns	ELLEN TRACY
Tabletop Products	LIZ CLAIBORNE, CRAZY HORSE, VILLAGER
Umbrellas	MEXX

SALES AND MARKETING

Domestic sales accounted for approximately 78% of our 2003, and 82% of our 2002, net sales. Our domestic wholesale sales are made primarily to department store chains and specialty store customers. Retail sales are made through our own retail and outlet stores. Wholesale sales are also made to international customers, military exchanges and other outlets.

International sales accounted for approximately 22% of our 2003, and 18% of our 2002, net sales. In Europe, wholesale sales are made primarily to department store and specialty store customers, while retail sales are made through concession

stores within department store locations, as well as our own retail and outlet stores. In Canada, wholesale sales are made primarily to department store chains and specialty stores, and retail sales are made through our own retail and outlet stores. In other international markets, including Asia and Central and South America, we operate principally through third party licensees, virtually all of which purchase products from us for re-sale at free-standing retail stores and dedicated department store shops they operate. We also sell to distributors who resell our products in these territories. Our international accounts also purchase fragrances and related products through third-party distributors.

Our 100 largest customers accounted for approximately 85% of 2003 wholesale sales (or 69% of total sales), as compared with approximately 81% of 2002 wholesale sales (or 66% of total sales). Except for Dillard's Department Stores, Inc., which accounted for approximately 9% of 2003 and approximately 11% of 2002 wholesale sales (or 7% of 2003 and 9% of 2002 total sales), no single customer accounted for more than 6% of 2003 or 2002 wholesale sales (or 5% of 2003 and 2002 total sales). However, certain of our customers are under common ownership; when considered together as a group under common ownership, sales to the eight department store customers which were owned at year-end 2003 by Federated Department Stores, Inc. accounted for approximately 15% of 2003 and approximately 16% of 2002 wholesale sales (or 12% of 2003 and 13% of 2002 total sales), and wholesale sales to the eight department store customers which were owned at year-end 2003 by The May Department Stores Company accounted for approximately 10% of 2003 and approximately 12% of 2002 wholesale sales (or 8% of 2003 and 10% of 2002 total sales). See Note 10 of Notes to Consolidated Financial Statements. Many major department store groups make centralized buying decisions; accordingly, any material change in our relationship with any such group could have a material adverse effect on our operations. We expect that our largest customers will continue to account for a significant percentage of our sales. Sales to the Company's domestic department and specialty store customers are made primarily through our New York City showrooms. Internationally, sales to our department and specialty store customers are made through several of our showrooms, including in the Netherlands and Germany.

For further information concerning our domestic and international sales, see Note 20 of Notes to Consolidated Financial Statements and "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

We have implemented in-stock reorder programs in several divisions to enable customers to reorder certain items through electronic means for quick delivery. See "Manufacturing" below. Many of our retail customers participate in our in-stock reorder programs through their own internal replenishment systems.

During 2003, we continued our domestic in-store sales, marketing and merchandising programs designed to encourage multiple item, regular price sales, build one-on-one relationships with consumers and maintain our merchandise presentation standards. These programs train sales associates on suggested selling techniques, product, merchandise presentation and client development strategies and are offered for many of our businesses, including our Accessories and Jewelry, Cosmetics, DANA BUCHMAN, ELLEN TRACY, LAUNDRY BY SHELLI SEGAL, LIZ CLAIBORNE, LUCKY BRAND JEANS, Men's and SIGRID OLSEN businesses, and our licensed DKNY(R) Jeans, CITY DKNY(R), and KENNETH COLE NEW YORK businesses.

In 2003, we further expanded our domestic in-store shop programs, designed to enhance the presentation of our products on department store selling floors generally through the use of proprietary fixturing, merchandise presentations and in-store graphics. Currently, in-store shops operate under the following brand names: CITY DKNY(R), CLAIBORNE, CRAZY HORSE, DANA BUCHMAN, DKNY(R) JEANS, ELLEN TRACY, EMMA JAMES, FIRST ISSUE, J.H. COLLECTIBLES, JUICY COUTURE, KENNETH COLE NEW YORK, LAUNDRY, LIZ CLAIBORNE, LUCKY BRAND, MEXX, SIGRID OLSEN and VILLAGER. Our Accessories business also offers an in-store shop program.

In 2003, we installed, in the aggregate, 1,039 in-store shops, and, in 2004, we plan to install, in the aggregate, approximately 600 additional in-store shops. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Position, Capital Resources and Liquidity."

We spent approximately $175 million on marketing for all of our brands in 2003, including approximately $45 million on national advertising. This compares with 2002 aggregate marketing expenditures of approximately $160 million, including approximately $44 million on national advertising.

We maintain several consumer websites, including www.elisabeth.com, which offers plus-size apparel for sale directly to

consumers; www.enyce.com, which provides information on ENYCE branded apparel; www.danabuchman.com, which provides information on DANA BUCHMAN branded apparel; www.ellentracy.com, which provides information on ELLEN TRACY branded apparel; www.lizclaiborne.com, which provides information regarding the Company, including information on our LIZ CLAIBORNE branded apparel and accessories products; www.juicycouture.com, which provides information on JUICY COUTURE branded apparel; www.luckybrandjeans.com, which provides information on LUCKY BRAND branded apparel and offers a selection of LUCKY BRAND apparel for sale directly to consumers; and www.sigridolsen.com, which provides information on SIGRID OLSEN branded apparel. In addition, in Germany, the MEXX Direct business, pursuant to an arrangement with Otto Versand (GmbH & Co.), offers MEXX branded merchandise for sale directly through www.mexx.com and through exclusive mail-order catalogs.

MANUFACTURING

We do not own any product manufacturing facilities; all of our products are manufactured in accordance with our specifications through arrangements with independent suppliers.

Products produced in the Far East, the Caribbean, Central America and Europe represent a substantial portion of the Company's sales. We also source product in the United States and other regions. During 2003, several hundred suppliers manufactured our products; such products were manufactured by suppliers located in approximately 50 countries, including China, Saipan, Hong Kong, Taiwan, Turkey, the Dominican Republic, Sri Lanka, Indonesia and the Philippines. We continually seek additional suppliers throughout the world for our sourcing needs. Our largest supplier of finished products manufactured approximately 6% of our purchases of finished products during 2003. In each of 2003, 2002 and 2001, our ten largest suppliers for the year manufactured in aggregate approximately 35% of our purchases of finished products. We expect that the percentage of production represented by our largest suppliers will increase in 2004 in light of the Company's ongoing worldwide factory certification initiative, under which we allocate large portions of our production requirements to suppliers appearing to have superior capacity, quality (of product, operation and human rights compliance) and financial resources. Our purchases from our suppliers are effected through individual purchase orders specifying the price and quantity of the items to be produced. We do not have any long-term, formal arrangements with any of the suppliers which manufacture our products. We believe that we are the largest customer of many of our manufacturing suppliers and consider our relations with such suppliers to be satisfactory.

Most of our products are purchased as completed product "packages" from our manufacturing contractors, where the contractor purchases all necessary raw materials and other product components, according to our specifications. When we do not purchase "packages", we obtain fabrics, trimmings and other raw materials in bulk from various foreign and domestic suppliers, which items are then delivered to our manufacturing contractors for use in our products. Inasmuch as we intend to continue to move towards purchasing an increasing portion of our products as "packages," we have continued our development of a group of "approved suppliers" to supply raw materials and other product components to our contractors for use in "packages". We do not have any long-term, formal arrangements with any supplier of raw materials. To date, we have experienced little difficulty in satisfying our raw material requirements and consider our sources of supply adequate.

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

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

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

We expect all of our suppliers to adhere to the Liz Claiborne Standards of Engagement, which include standards relating to child labor, working hours, wage payments, and working conditions generally. We have an ongoing program in place to monitor our suppliers' compliance with our Standards. In this regard, each year, our internal or external monitors inspect a

substantial portion of our suppliers' factories. Should we learn of a supplier's failure to comply with our Standards, we urge that supplier to act quickly in order to comply. If a supplier fails to correct a compliance deficiency, or if we determine that the supplier will be unable to correct a deficiency, we may terminate our business relationship with the supplier. In addition, we are a participating company in the Fair Labor Association's program. The Fair Labor Association is a non-profit organization dedicated to improving working conditions.

IMPORT AND IMPORT RESTRICTIONS

Virtually all of our merchandise imported into the United States, Canada, and Europe is subject to duties and quota. Quota represents the right, pursuant to bilateral or other international trade arrangements, to export amounts of certain categories of merchandise into a country or territory pursuant to a visa or license. Pursuant to agreements between the major exporting countries and the United States, the importation of certain categories of our products is subject to quotas limiting the amount of the products that may be imported into the United States. The majority of these agreements were negotiated under the framework of the MultiFiber Arrangement, which has been in effect since 1974, and contain "consultation" clauses which allow the United States, under certain circumstances, to impose unilateral restrictions on the importation of certain categories of products that are not subject to specified limits under the terms of such agreement. However, the Agreement on Textiles and Clothing mandates the elimination of quota on textile and apparel products quotas for World Trade Organization countries, including the United States, Canada and European countries, on January 1, 2005. As a result, there will be changes in the international textiles and apparel trade, which may significantly impact our sourcing patterns. This impact may come as early as 2004 in the event of quota shortfalls resulting from countries being unable to meet their 2004 quota needs. While in the past countries were able to use a portion of the following year's quota to fulfill their quota needs ("quota borrowing"), the elimination of quota in 2005 results in the elimination of any opportunity for quota borrowing. Furthermore, notwithstanding quota elimination, under China's accession agreement for membership in the World Trade Organization, the United States and other World Trade Organization members (including Canada and European countries) may re-impose quotas on specific categories of products in the event it is determined that imports from China have surged and are threatening to create a market disruption for such categories of products (so called "safeguard quota"). In addition, the United States may unilaterally impose additional duties in response to a particular product being imported in such increased quantities as to cause (or threaten) serious damage to the relevant domestic industry (generally known as "anti-dumping" actions).

In addition, each of the countries in which our products are sold has laws and regulations regarding import restrictions and quotas. Because the United States and the other countries in which our products are manufactured and sold may, from time to time, impose new quotas, duties, tariffs, surcharges or other import controls or restrictions, or adjust presently prevailing quota allocations or duty or tariff rates or levels, we maintain a program of intensive monitoring of import and quota-related issues. As we do not own quota, we must therefore work with our suppliers and vendors to secure the visas or licenses required to ship our products. We seek continually to minimize our potential exposure to import and quota-related risks through, among other measures, allocation of production to merchandise categories that are not subject to quota pressures, adjustments in product design and fabrication, shifts of production among countries and manufacturers, as well as through geographical diversification of our sources of supply.

In light of the very substantial portion of our products which are manufactured by foreign suppliers, the enactment of new legislation or the administration of current international trade regulations, executive action affecting textile agreements, or the implementation of the scheduled elimination of quota, including likely resulting changes in sourcing patterns, could adversely affect our operations. Although we generally expect that the upcoming elimination of quota will result, over the long term, in an overall reduction in the cost of apparel produced abroad, the transition to the non-quota environment (including, for example, the elimination of the opportunity for quota borrowing in 2004 and the implementation of any safeguard quota) may result, over the near term, in cost increases for certain categories of products and in disruption of the supply chain for certain products categories. See "Competition; Certain Risks" below.

DISTRIBUTION

We distribute virtually all of our products through facilities we own or lease. Our principal distribution facilities are located in California, New Jersey, Ohio, Pennsylvania, Rhode Island and The Netherlands. See "Properties" below.

BACKLOG

At March 2, 2004, our order book reflected unfilled customer orders for approximately $1.099 billion of merchandise, as compared to approximately $1.102 billion at March 19, 2003. These orders represent our order backlog. The amounts indicated include both confirmed and unconfirmed orders which we believe, based on industry practice and our past experience, will be confirmed. We expect that substantially all such orders will be filled within the 2004 fiscal year. We

note that the amount of order backlog at any given date is materially affected by a number of factors, including seasonal factors, the mix of product, the timing of the receipt and processing of customer orders, and scheduling of the manufacture and shipping of the product, which in some instances is dependent on the desires of the customer. Accordingly, order book data should not be taken as providing meaningful period-to-period comparisons.

TRADEMARKS

We own and/or use a variety of trademarks in connection with our businesses and products.

The following table summarizes the principal trademarks we own and/or use in connection with our businesses and products:

AXCESS	LIZGOLF
AXCESS/MEN	LOVE P&G
BORA BORA	LUCKY BRAND
CHOOSE JUICY	LUCKY BRAND BABY
CLAIBORNE	LUCKY BRAND DUNGAREES
CLAIBORNE BOYS	LUCKY BRAND DUNGAREES OF AMERICA TOO TOUGH TO DIE
CLAIBORNE SPORT	LUCKY BRAND KIDS
CRAZY HORSE	LUCKYVILLE
CURVE	LUCKY YOU
CURVE CRUSH	LUCKY YOU LUCKY BRAND
DANA BUCHMAN	MADE IN THE GLAMOROUS U.S.A.
DANA BUCHMAN WOMAN	MAMBO
COMPANY ELLEN TRACY	MARVELLA
ELLEN TRACY	MEXX
ELISABETH	MEXX KIDS
EMMA JAMES	MEXX SPORT
ENYCE	MINI MEXX
FIRST ISSUE	MONET
HOT PINK	MONET 2
INTUITIONS	REALITIES
JANE STREET	RUSS
J.H. COLLECTIBLES	SIGRID OLSEN
JUICY	SIGRID OLSEN SPORT
JUICY BABY	SIGRID OLSEN COLLECTION
JUICY COUTURE	SIGRID OLSEN PETITES
JUICY GIRL	SIGRID OLSEN WOMAN
JUICY JEANS	SO BLUE
LADY ENYCE	SPARK
LAUNDRY BY SHELLI SEGAL	SWE
LINDA ALLARD ELLEN TRACY	TRIFARI
LIZ	TRIPLE XXX DUNGAREES
LIZ CLAIBORNE	VILLAGER
LIZ CLAIBORNE BABY	VIVID
LIZ CLAIBORNE KIDS	WOMEN'S WORK
LIZ CLAIBORNE WOMAN	XX BY MEXX

Licensed Trademarks

CANDIE'S	KENNETH COLE NEW YORK
CITY DKNY(R)	REACTION KENNETH COLE
DKNY(R)ACTIVE	UNLISTED
DKNY(R) JEANS	

In addition, we own and/or use the LC logomark, our triangular logomark, our triangle within a triangle icon, the DANA BUCHMAN leaf design, LUCKY BRAND's four-leaf clover design and fly placement, and the JUICY COUTURE crest trademarks.

We have registered or applied for registration of a multitude of trademarks, including those referenced above, for use on apparel and apparel-related products, including accessories, cosmetics and jewelry in the United States as well as in numerous foreign territories. We also have a number of design patents. We regard our trademarks and other proprietary rights

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

COMPETITION; CERTAIN RISKS

We believe that, based on sales, we are among the largest fashion apparel and related accessories companies operating in the United States and Europe. Although we are unaware of any comprehensive trade statistics, we believe, based on our knowledge of the market and available trade information, that measured by sales, we are one of the largest suppliers of "better" women's branded apparel in the United States. Our principal competitors in the United States within the "better" women's sportswear market in department stores include Jones Apparel Group, Inc., Polo Ralph Lauren Corporation and Tommy Hilfiger Corporation. The principal competitors of our MEXX European business include Esprit, Benetton, Zara and Next.

Notwithstanding our position as one of the largest fashion apparel and related accessories companies in the United States, we are subject to intense competition as the apparel and related product markets are highly competitive, both within the United States and abroad.

Risks Associated with Competition and the Marketplace

Our ability to compete successfully within the marketplace depends on a variety of factors, including:

- The current challenging retail and macroeconomic environment, including the levels of consumer confidence and discretionary spending, and levels of customer traffic within department stores, malls and other shopping and selling environments, and a continuation of the deflationary trend in prices for apparel products;
- Our ability to effectively anticipate, gauge and respond to changing consumer demands and tastes, across multiple product lines, shopping channels and geographies;
- Our ability to translate market trends into appropriate, saleable product offerings relatively far in advance, while minimizing excess inventory positions, including our ability to correctly balance the level of our fabric and/or merchandise commitments with actual customer orders;
- Consumer and customer demand for, and acceptance and support of, our products (especially by our largest customers) which are in turn dependent, among other things, on product design, quality, value and service;
- Our ability, especially through our sourcing, logistics and technology functions, to operate within substantial production and delivery constraints, including risks associated with the possible failure of our unaffiliated manufacturers to manufacture and deliver products in a timely manner, to meet quality standards or to comply with our policies regarding labor practices or applicable laws or regulations;
- The financial condition of, and consolidations, restructurings and other ownership changes in, the apparel (and related products) industry and the retail industry;
- Risks associated with our dependence on sales to a limited number of large United States department store customers, including risks related to customer requirements for vendor margin support, and those related to extending credit to customers, risks relating to retailers' buying patterns and purchase commitments for apparel products in general and our products specifically;
- Our ability to respond to the strategic and operational initiatives of our largest customers, as well as to the introduction of new products or pricing changes by our competitors; and
- Our ability to obtain sufficient retail floor space and to effectively present products at retail.

Economic, Social and Political Factors

Also impacting the Company and our operations are a variety of economic, social and political factors, including the following:

- Risks associated with war, the threat of war, and terrorist activities, including reduced shopping activity as a result of public safety concerns and disruption in the receipt and delivery of merchandise;
- Changes in national and global microeconomic and macroeconomic conditions in the markets where we sell or source our products, including the levels of consumer confidence and discretionary spending, consumer income growth, personal debt levels, rising energy costs and energy shortages, and fluctuations in foreign currency exchange rates, interest rates, stock market volatility, and currency devaluations in countries in which we source product;
- Changes in social, political, legal and other conditions affecting foreign operations;
- Risks of increased sourcing costs, including costs for materials and labor;

- Any significant disruption in our relationships with our suppliers, manufacturers and employees, including our union employees;
- Work stoppages by any of our suppliers or service providers, or by our union employees;
- The enactment of new legislation or the administration of current international trade regulations, or executive action affecting international textile agreements, including the United States' reevaluation of the trading status of certain countries, and/or retaliatory duties, quotas or other trade sanctions, which, if enacted, would increase the cost of products purchased from suppliers in such countries, and the January 1, 2005 elimination of quota, which may significantly impact sourcing patterns; and
- Risks related to our ability to establish, defend and protect our trademarks and other proprietary rights and other risks relating to managing intellectual property issues.

Risks Associated with Acquisitions and New Product Lines and Markets

As part of our growth strategy, we from time to time acquire new product lines and/or enter new markets, including through licensing arrangements. These activities (which also include the development and launch of new product categories and product lines), are accompanied by a variety of risks inherent in any new business venture, including the following:

- Risks that the new product line or market activities may require methods of operations and marketing and financial strategies different from those employed in our other businesses;
- Certain new businesses may be lower margin businesses and may require us to achieve significant cost efficiencies. In addition, these businesses may involve buyers, store customers and/or competitors different from our historical buyers, customers and competitors;
- Possible difficulties, delays and/or unanticipated costs in integrating the business, operations, personnel, and/or systems of an acquired business;
- Risks that projected or satisfactory level of sales, profits and/or return on investment for a new business will not be generated;
- Risks involving our ability to retain and appropriately motivate key personnel of an acquired business;
- Risks that expenditures required for capital items or working capital will be higher than anticipated;
- Risks associated with unanticipated events and unknown or uncertain liabilities;
- Uncertainties relating to our ability to successfully integrate an acquisition, maintain product licenses, or successfully launch new products and lines; and
- With respect to businesses where we act as licensee, the risks inherent in such transactions, including compliance with terms set forth in the applicable license agreements, including among other things the maintenance of certain levels of sales, and the public perception and/or acceptance of the licensor's brands or other product lines, which are not within our control.

EMPLOYEES

At January 3, 2004, we had approximately 13,000 full-time employees worldwide, as compared with approximately 12,000 full-time employees at December 28, 2002.

In the United States and Canada, we are bound by collective bargaining agreements with the Union of Needletrades, Industrial and Textile Employees (UNITE), and agreements with related locals which expire at various dates through the period December 2004 through May 2006. These agreements cover approximately 1,550 of our full-time employees. Most of the UNITE-represented employees are employed in warehouse and distribution facilities we operate in California, New Jersey, Ohio, Pennsylvania and Rhode Island. In addition, we are bound by an agreement with the Industrial Professional & Technical Workers International Union, covering approximately 235 of our full-time employees at our Santa Fe Springs, California facility and expiring on May 14, 2005.

We consider our relations with our employees to be satisfactory and to date we have not experienced any interruption of our operations due to labor disputes.

AVAILABLE INFORMATION

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available free of charge on our website, located at www.lizclaiborneinc.com, as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission. These reports are also available on the Securities and Exchange Commission's Internet website at www.sec.gov. The information contained on our website is not intended to be included as part of, or incorporated by reference into, this Annual Report on Form 10-K.

Item 2. Properties.

Our distribution and administrative functions are conducted in both leased and owned facilities. We also lease space for our retail specialty, outlet and concession stores. We believe that our existing facilities are well maintained, in good operating condition and, upon occupancy of additional space, will be adequate for our present level of operations, although from time to time we use unaffiliated third parties to provide distribution services to meet our distribution requirements. See Note 10 of Notes to Consolidated Financial Statements.

Our principal executive offices and showrooms, as well as sales, merchandising and design staffs, are located at 1441 Broadway, New York, New York, where we lease approximately 290,000 square feet under a master lease which expires at the end of 2012 and contains certain renewal options and rights of first refusal for additional space, and additional space of approximately 65,000 under three other lease agreements, two of which expire in 2006. Most of our business segments use this facility. In addition, in North Bergen, New Jersey, we own and operate an approximately 300,000 square foot office complex which houses operational staff. The following table sets forth information with respect to our other key properties:

Key Properties:

Location(1)	Primary Use	Approximate Square Footage	Leased/Owned
Santa Fe Springs, California	Apparel Distribution Center	600,000	Leased
Vernon, California	Offices/Apparel Distribution Center	123,000	Leased
Mississauga, Canada	Offices/Apparel Distribution Center	183,000	Leased
Dayton, New Jersey	Non-Apparel Distribution Center	226,000	Leased
Dayton, New Jersey	Non-Apparel Distribution Center	179,000	Leased
North Bergen, New Jersey	Offices/Apparel Distribution Center	620,000	Owned
Secaucus, New Jersey	Apparel Distribution Center	164,000	Leased
Westchester, Ohio	Apparel Distribution Center	600,000	Leased
Mt. Pocono, Pennsylvania	Apparel Distribution Center	150,000	Leased
Mt. Pocono, Pennsylvania(2)	Apparel Distribution Center	1,230,000	Owned
Lincoln, Rhode Island	Non-Apparel Distribution Center	115,000	Leased
Voorschoten, The Netherlands(3)	Offices/Apparel Distribution Center	295,000	Leased

(1) We also lease showroom, warehouse and office space in various other domestic and international locations.
(2) This facility is on an 80-acre site which we own.
(3) This property is used solely by our MEXX business.

Pursuant to financing obtained through an off-balance sheet arrangement commonly referred to as a synthetic lease, we have constructed the Westchester, Ohio and Lincoln, Rhode Island facilities. See "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations: Financial Position, Capital Resources and Liquidity"; and Note 10 of Notes to Consolidated Financial Statements for a discussion of this arrangement. We are seeking to dispose of our interests in an approximately 290,000 square foot warehouse and distribution facility in Montgomery, Alabama, and our approximately 270,000 square foot facility in Augusta, Georgia (located on a 98-acre site and previously used in connection with a dyeing and finishing joint venture).

Item 3. Legal Proceedings.

Various legal actions are pending against the Company. Although the outcome of any such actions cannot be determined with certainty, management is of the opinion that the final outcome of any of these actions should not have a material adverse effect on the Company's results of operations or financial position. See Notes 10 and 24 of Notes to Consolidated Financial Statements.

In January 1999, two actions were filed in California naming as defendants more than a dozen United States-based apparel companies that source garments from Saipan (Commonwealth of the Northern Mariana Islands) and a large number of Saipan-based garment factories. The actions assert that the Saipan factories engage in unlawful practices relating to the recruitment and employment of foreign workers and that the apparel companies, by virtue of their alleged relationship with the factories, have violated various federal and state laws. One action, filed in California Superior Court in San Francisco by a union and three public interest groups, alleges unfair competition and false advertising (the "State Court Action"). The State Court Action seeks equitable relief, unspecified amounts for restitution and disgorgement of profits, interest and an award of attorney's fees. The second, filed in the United States District Court for the Central District of California, and later transferred to the District of Hawaii and, in Spring 2001, to the United States District Court for the District of the Northern Mariana

Islands, is brought on behalf of a purported class consisting of the Saipan factory workers (the "Federal Action"). The Federal Action alleges claims under the civil RICO statute and the Alien Tort Claims Act, premised on supposed violations of the federal anti-peonage and indentured servitude statutes, as well as other violations of Saipan and international law, and seeks equitable relief and unspecified damages, including treble and punitive damages, interest and an award of attorney's fees. A third action, brought in Federal Court in Saipan solely against the garment factory defendants on behalf of a putative class of their workers, alleges violations of federal and Saipanese wage and employment laws (the "FLSA Action").

The Company sources products in Saipan but was not named as a defendant in the actions. The Company and certain other apparel companies not named as defendants were advised in writing, however, that they would be added as parties if a consensual resolution of the complaint claims could not be reached. In the wake of that notice, which was accompanied by a draft complaint, the Company entered into settlement negotiations and subsequently entered into an agreement to settle all claims that were or could have been asserted in the Federal or State Court Actions. Eighteen other apparel companies also settled these claims at that time. As part of the settlement, the Company was named as a defendant, along with certain other settling apparel companies, in a Federal Court action styled Doe I, et al. v. Brylane, L.P. et al. (the "Brylane Action"), currently pending in the United States District Court for the District of the Northern Mariana Islands. The Brylane Action mirrors portions of the larger Federal Action but does not include RICO and certain of the other claims alleged in that case.

After the transfer of the Federal Action and the Brylane Action to Saipan, the Court ruled on and denied in most material respects the non-settling defendants' motion to dismiss the Federal Action. The court in Saipan held a hearing on February 14, 2002 on Plaintiffs' motions to certify the proposed class and to preliminarily approve the settlement. On May 10, 2002, the court issued an opinion and order granting preliminary approval of the settlement and of similar settlements with certain other retailers and also certifying the proposed class. The Ninth Circuit Court of Appeals subsequently denied the non-settling defendants' petition for interlocutory review of the grant of class certification. At the end of September 2002, plaintiffs and all of the factory and retailer non-settling defendants other than Levi Strauss & Co. reached agreement to settle the Federal Action, the State Court Action and the FLSA action. At a hearing held on October 31, 2002, the Court granted conditional preliminary approval of the September 2002 settlement and scheduled a Fairness Hearing to determine whether to grant final approval to the prior settlement agreements and the September 2002 settlement. The Fairness Hearing was held on March 22, 2003. At the conclusion, the Court reserved final decision on whether to approve the settlement agreements and the September 2002 settlement. On April 23, 2003, the Court entered an Order and Final Judgment Approving Settlement and Dismissing with Prejudice the Brylane Action. Management is of the opinion that implementation of the terms of the approved settlement will not have a material adverse effect on the Company's financial position or results of operations.

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

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

Executive Officers of the Registrant.

Information as to the executive officers of the Company, as of March 2, 2004, is set forth below:

Name	Age	Position(s)
Paul R. Charron	61	Chairman of the Board and Chief Executive Officer
Angela Ahrendts	43	Executive Vice President
Lawrence D. McClure	55	Senior Vice President − Human Resources
Michael Scarpa	48	Senior Vice President and Chief Financial Officer
Frank S. Sowinski	47	Executive Vice President
Trudy F. Sullivan	54	Executive Vice President
Robert J. Zane	64	Senior Vice President − Manufacturing, Sourcing, Distribution and Logistics

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

Mr. Charron joined the Company as Vice Chairman and Chief Operating Officer, and became a Director, in 1994. In 1995, Mr. Charron became President (a position he held until October 1996) and Chief Executive Officer of the Company. In 1996, Mr. Charron became Chairman of the Board of the Company. Prior to joining the Company, Mr. Charron served in various executive capacities at VF Corporation, an apparel manufacturer, including Group Vice President and Executive Vice President, from 1988. Mr. Charron also serves on the Board of Directors of Campbell Soup Company and on a number of not−for−profit company boards, including the National Retail Federation; the American Apparel & Footwear Association; the Fair Labor Association; Vital Voices Global Partnership; and the Partnership for New York.

Ms. Ahrendts joined the Company in 1998 as Vice President − Corporate Merchandising and Design. In March 2001, Ms. Ahrendts was promoted to Senior Vice President Corporate Merchandising and Group President, and became Executive Vice President in March, 2002. Prior to joining the Company, Ms. Ahrendts served as Executive Vice President of Henri Bendel, a division of the Limited, an apparel specialty store retailer, from 1996 to 1998.

Mr. McClure joined the Company in 2000 as Senior Vice President − Human Resources. Prior to joining the Company, Mr. McClure served as Vice President, Human Resources of Dexter Corporation, a specialty materials company, from 1995.

Mr. Scarpa joined the Company in 1983 as budget manager and served in various management positions thereafter. In 1991, Mr. Scarpa was promoted to Vice President − Divisional Controller and in 1995, he was promoted to Vice President − Financial Planning and Operations. Effective July 2000, he became Vice President − Chief Financial Officer, and in July 2002 he became Senior Vice President−Chief Financial Officer.

Mr. Sowinski joined the Company in January 2004 as Executive Vice President. Prior to joining the Company, Mr. Sowinski served as Chief Financial Officer, and was also responsible for administrative functions, of PricewaterhouseCoopers Consulting, a systems integrator company, during 2002. Prior to that, he spent 17 years with the Dun & Bradstreet Corporation in a series of high−level operating and corporate positions including President of the D&B Operating Company, Chief Financial Officer of the Dun & Bradstreet Corporation and Executive Vice President of Global Marketing and Analytical Services of D&B Information Services. Mr. Sowinski serves on the Board of Directors of Buckeye Pipe Line Company, a refined petroleum transporter, terminaller and storage company.

Ms. Sullivan joined the Company in 2001 as Group President for the Company's Casual, Collection and Elisabeth businesses, and became Executive Vice President in March 2002. Prior to joining the Company, Ms. Sullivan was President of J. Crew Group, Inc., a vertical retail and catalog apparel company, from 1997 to 2001.

Mr. Zane joined the Company in 1995 and served from 1995 to 2000 as Senior Vice President − Manufacturing and Sourcing. In 2000, Mr. Zane became Senior Vice President − Manufacturing, Sourcing, Distribution and Logistics. Prior to joining the Company, Mr. Zane owned and operated Medallion Tekstil, a private label manufacturing company he founded in 1989.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

MARKET INFORMATION

Our Common Stock trades on the New York Stock Exchange ("NYSE") under the symbol LIZ. The table below sets forth the high and low closing sale prices of the Common Stock (based on the NYSE composite tape) for the periods indicated. On December 19, 2001, we declared a two-for-one stock split in the form of a stock dividend payable on January 16, 2002 to stockholders of record on December 31, 2001. All share price data, including historical data, has been adjusted to reflect the stock split.

Calendar Period	High	Low
2003:		
1st Quarter	$31.61	$26.31
2nd Quarter	36.40	30.61
3rd Quarter	36.84	33.10
4th Quarter	38.82	34.06
2002:		
1st Quarter	$30.31	$24.88
2nd Quarter	32.17	27.68
3rd Quarter	31.14	24.70
4th Quarter	32.65	24.22

RECORD HOLDERS

On March 2, 2004, the closing sale price of our Common Stock was $37.03. As of March 2, 2004, the approximate number of record holders of Common Stock was 6,358.

DIVIDENDS

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

Calendar Period	Dividends Paid per Common Share
2003:	
1st Quarter	$0.05625
2nd Quarter	0.05625
3rd Quarter	0.05625
4th Quarter	0.05625
2002:	
1st Quarter	$0.05625
2nd Quarter	0.05625
3rd Quarter	0.05625
4th Quarter	0.05625

We currently plan to continue paying quarterly cash dividends on our Common Stock. The amount of any such dividend will depend on our earnings, financial position, capital requirements and other relevant factors.

In December 1989, our Board of Directors first authorized the repurchase, as market and business conditions warranted, of our Common Stock for cash in open market purchases and privately negotiated transactions. From time to time thereafter, the Board has authorized additional repurchases. As of March 2, 2004, we had expended an aggregate of $1.457 billion of the $1.675 billion authorized under our stock repurchase program, covering approximately 84.8 million shares. No stock repurchases occurred during 2003.

Item 6. Selected Financial Data.

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

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

	2003	2002	2001	2000	1999
Net Sales	$4,241,115	$3,717,503	$3,448,522	$3,104,141	$2,806,548
Gross Profit	1,889,791	1,619,635	1,427,250	1,233,872	1,097,582
Operating Income	470,790	389,888	331,717	303,689	299,753
Net Income	279,693**	231,165**	192,057**	184,595**	192,442
Working capital	821,759	618,490	638,281	535,811	483,967
Total assets	2,606,999	2,268,357	1,951,255	1,512,159	1,411,801
Long term obligations	448,677	384,137	402,345	284,219	131,085
Stockholders' equity	1,577,971	1,286,361	1,056,161	834,285	902,169
Per common share data*:					
Basic earnings	2.60**	2.19**	1.85**	1.73**	1.56
Diluted earnings	2.55**	2.16**	1.83**	1.72**	1.56
Book value at year end	14.40	12.02	10.04	8.15	7.95
Dividends paid	.23	.23	.23	.23	.23
Weighted average common shares outstanding*	107,451,157	105,592,062	103,993,824	106,813,198	123,046,930
Weighted average common shares and share equivalents outstanding*	109,619,241	107,195,872	105,051,035	107,494,886	123,439,182

* Adjusted for a two-for-one stock split of our common stock, payable in the form of a 100% stock dividend to shareholders of record as of the close of business on December 31, 2001. The 100% stock dividend was paid on January 16, 2002.

** Includes the after tax effect of a restructuring gain of $429 ($672 pretax) or $.00 per share in 2003, a restructuring charge of $4,547 ($7,130 pretax) or $.04 per common share in 2002, a restructuring charge of $9,632 ($15,050 pretax) or $.09 per common share in 2001, and restructuring charges of $13,466 ($21,041 pretax) or $.13 per common share and a special investment gain of $5,606 ($8,760 pretax) or $.05 per common share in 2000.

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

OVERVIEW

Business/Segments

We operate the following business segments: Wholesale Apparel, Wholesale Non-Apparel and Retail.

- Wholesale Apparel consists of women's and men's apparel designed and marketed worldwide under various trademarks owned by the Company or licensed by the Company from third-party owners. This segment includes our businesses in our core LIZ CLAIBORNE brand along with our better specialty apparel (INTUITIONS, SIGRID OLSEN and REALITIES), bridge priced (DANA BUCHMAN and ELLEN TRACY), men's (CLAIBORNE), moderate-priced special markets (AXCESS, CRAZY HORSE, EMMA JAMES, FIRST ISSUE, VILLAGER and J.H. COLLECTIBLES), premium denim (LUCKY BRAND DUNGAREES) and contemporary sportswear and dress (LAUNDRY, JUICY COUTURE, JANE STREET, ENYCE and SWE) businesses, as well as our licensed DKNY(R) JEANS, DKNY(R) ACTIVE, and CITY DKNY(R) businesses and our licensed KENNETH COLE NEW YORK and REACTION KENNETH COLE businesses. The Wholesale Apparel segment also includes wholesale sales of women's, men's and children's apparel designed and marketed in Europe, Canada, the Asia-Pacific Region and the Middle East under our MEXX brand names.

- Wholesale Non-Apparel consists of accessories, jewelry and cosmetics designed and marketed worldwide under certain of the above listed and other owned or licensed trademarks, including our MONET, TRIFARI and MARVELLA labels.

- Retail consists of our worldwide retail operations that sell most of these apparel and non-apparel products to the public through our 263 outlet stores, 235 specialty retail stores and 553 international concession stores (where the retail selling space is either owned and operated by the department store in which the retail selling space is located or leased and operated by a third party, while, in each case, the Company owns the inventory). This segment includes stores operating under the following formats: MEXX, LUCKY BRAND DUNGAREES, LIZ CLAIBORNE, ELISABETH, DKNY(R)JEANS, DANA BUCHMAN, ELLEN TRACY, SIGRID OLSEN and MONET, as well as our Special Brands Outlets which include products from our Special Markets divisions. On February 20, 2003, we announced our decision to close our 22 LIZ CLAIBORNE domestic Specialty Retail stores (see Note 13 of Notes to Consolidated Financial Statements).

The Company, as licensor, also licenses to third parties the right to produce and market products bearing certain Company-owned trademarks. The resulting royalty income is not allocated to any of the specified operating segments, but is rather included in the line "Sales from external customers" under the caption "Corporate/Eliminations" in Note 20 of Notes to Consolidated Financial Statements.

Competitive Profile

We operate in global fashion markets that are highly competitive. Our ability to continuously evaluate and respond to changing consumer demands and tastes, across multiple market segments, distribution channels and geographies, is critical to our success. Although our brand portfolio approach is aimed at diversifying our risks in this regard, misjudging shifts in consumer preferences could have a negative effect. Other key aspects of competition include quality, brand image, distribution methods, price, customer service and intellectual property protection. Our size and global operating strategies help us to successfully compete by positioning us to take advantage of synergies in product design, development, sourcing and distributing of our products throughout the world. We believe we owe much of our recent success to our having successfully leveraged our competencies in technology and supply chain management for the benefit of existing and new (both acquired and internally developed) businesses. Our success in the future will depend on our ability to continue to design products that are acceptable to the marketplaces that we serve and to source the manufacture of our products on a competitive basis, particularly in light of the impact of the elimination of quota for apparel products scheduled for 2005. We expect that the anticipated elimination of quota will result in a general reduction in the cost of sourcing and manufacturing apparel products; however, there can be no assurances that the cost savings will be directly reflected in the Company's gross profit rate. In addition, the change to a quota-free environment may present operational challenges to the Company and other apparel companies as the transition is made to the new quota regime.

Reference is also made to the other economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices as are set forth under "Statement Regarding Forward-Looking Disclosure" below and in our 2003 Annual Report on Form 10-K, including, without limitation, those set forth under the heading "Business-Competition; Certain Risks."

2003 Overall Results

Over the past five fiscal years, the Company's revenues have grown to a record $4.241 billion in 2003 from $2.807 billion in 1999. This growth has been largely a result of our brand portfolio strategy, under which we strive to offer consumers apparel and non-apparel products across a range of styles, price points and channels of distribution. In implementing this strategy, we have acquired a number of businesses, most of which have experienced notable growth post-acquisition. Our revenue growth over the period also reflects the growth of our moderate-priced Special Markets business, which sells products at prices lower than our core better-priced offerings, and our non-apparel businesses. With our acquisitions and the growth in our moderate and non-apparel businesses, we have diversified our business by channels of distribution and target consumer, as well as geographically. Over the five-year period, our gross profit rate has improved from 39.1% in 1999 to 44.6% in 2003. This rate improvement reflects our efforts to better manage our inventories and a reduction in our manufacturing costs as result of a consolidation in our supplier base. In addition, our gross profit rate results reflect the acquisitions of MEXX Europe and MEXX Canada, MONET, Ellen Tracy and JUICY COUTURE, all of which operate at rates higher than the Company's core better-priced businesses (see "Recent Acquisitions" below). As a result, operating income has grown 57% to $470.8 million in 2003 from $299.8 million in 1999, and diluted EPS increased 63% to $2.55 in 2003 from $1.56 in 1999.

Net Sales

Net sales in 2003 were a record $4.241 billion, an increase of $523.6 million, or 14.1%, over 2002 net sales. Approximately $252.9 (or 48.3%) of the sales increase was due to the inclusion of a full year's sales for our MEXX Canada and ELLEN TRACY businesses (each acquired in 2002) and the impact of the 2003 acquisitions of the JUICY COUTURE and ENYCE businesses. Approximately $226.2 million (or 43.2%) of the sales increase was due to increased net sales reported by our comparable international businesses; of this sales increase, $145.2 million (representing 27.7% of our overall sales increase) was due to the impact of foreign currency exchange rates, primarily as a result of the strengthening Euro on the reported results of our international businesses. These results were achieved notwithstanding a further sales decrease in our core LIZ CLAIBORNE better-priced department store business. This business has been, and will continue to be, challenged by increased competition in the department store channel as a result of the introduction of new offerings by our competitors and the growth in department store private label brands and increasingly conservative buying patterns of our retail store customers as they focus on inventory productivity and seek to differentiate their offerings from those of their competitors. In addition, the department store channel has been challenged by the migration of consumers away from malls to national chains and off-price retailers, as well as a general decline in prices for non-luxury apparel products. Accordingly, we are planning our 2004 core LIZ CLAIBORNE business down in the mid-teens on a percentage basis. In addition, our moderate businesses are expected to face similar challenges in 2004, and as a result we are also planning sales for this component of our business to be down in the mid-teens on a percentage basis. We believe these expected declines will be more than offset with increases in other brands within our portfolio, including MEXX, as well as our recently-acquired JUICY COUTURE and ENYCE brands, which will include a full year's sales in 2004. In addition, we expect to continue to pursue our acquisition strategy, seeking out opportunities that are on strategy, financially attractive and involve manageable execution risks. We note that our 2003 fiscal year was comprised of 53 weeks, as compared to 52 weeks in 2002; however, we do not believe that this extra week had a material impact on our overall results.

Gross Profit and Net Income

Our gross profit improved in 2003 reflecting continued focus on inventory management and lower sourcing costs, offsetting gross margin pressure resulting from a highly promotional retail environment. Our gross profit also benefited from the acquisition of JUICY COUTURE, the growth of our MEXX Europe business and the inclusion of a full year's activity for our ELLEN TRACY business, as each of these businesses run at gross profit rates higher than the Company average. Overall net income increased to $279.7 million in 2003 from $231.2 million in 2002, reflecting the benefit received from our sales and gross profit rate improvements.

Balance Sheet

Our financial position continues to be strong. Although our cash flow from operations decreased by $1.8 million, our cash on hand increased by $81.9 million. Although our net sales and net income increased 14.1% and 21.0%, respectively, accounts receivable and inventory increased only 5.5% and 5.2%, respectively. We were able to finance nearly all of our 2003 cash requirements with cash flow from operations.

International Operations

Revenues for the last five years are presented on a geographic basis as follows:

In thousands	2003	2002	2001	2000	1999
Domestic	$3,304,614	$3,037,325	$3,031,318	$2,984,927	$2,701,272
International	936,501	680,178	417,204	119,214	105,276
Total Company	$4,241,115	$3,717,503	$3,448,522	$3,104,141	$2,806,548

In 2003, sales from our international segment represented 22.1% of our overall sales, as opposed to 3.8% in 1999, primarily due to our acquisitions of MEXX Europe and MEXX Canada and, to a lesser extent, MONET. We expect our international sales to continue to represent an increasingly higher percentage of our overall sales volume as a result of further anticipated growth in our MEXX Europe business and the planned launch of a number of our brands in Europe utilizing the MEXX corporate platform, including ELLEN TRACY and LUCKY BRAND DUNGAREES. Accordingly, our overall results can be greatly impacted by changes in foreign currency exchange rates. For example, the impact of foreign currency exchange rates represented $145.2 million, or 56.6%, of the increase of international sales from 2002 to 2003. Over the past few years, the Euro and the Canadian dollar have strengthened against the US dollar. While this trend has benefited our sales results in light of the growth of our MEXX Europe and MEXX Canada businesses, these businesses' inventory, accounts receivable and debt balances have likewise increased. Although we use foreign currency forward contracts and options to hedge against our exposure to exchange rate fluctuations affecting the actual cash flows associated with our international operations, unanticipated shifts in exchange rates could have an impact on our financial results.

Recent Acquisitions

In connection with the May 2001 acquisition of Mexx Group B.V. ("MEXX Europe"), we agreed to make a contingent payment to be determined as a multiple of MEXX's earnings and cash flow performance for the year ended 2003, 2004 or 2005. The selection of the measurement year is at either party's option. We estimate that if the 2003 measurement year were selected, the contingent payment would be in the range of approximately 144 − 148 million Euros ($181 − 186 million based on the exchange rate as of January 3, 2004).

In July 2002, we acquired 100 percent of the equity interest of Mexx Canada, Inc., a privately held fashion apparel and accessories company ("MEXX Canada"). Based in Montreal, MEXX Canada operated as a third party distributor (both at wholesale and through its own retail operations) in Canada for our MEXX business and, in 2001, had sales of 83 million Canadian dollars (or approximately $54 million based on the average exchange rate in effect during that period). The total purchase price consisted of: (a) an initial cash payment made at the closing date of $15.2 million; (b) a second payment made at the end of the first quarter 2003 of 26.4 million Canadian dollars (or $17.9 million based on the exchange rate in effect as of April 5, 2003); and (c) a contingent payment to be determined as a multiple of MEXX Canada's earnings and cash flow performance for the year ended either 2004 or 2005. The selection of the measurement year for the contingent payment is at either party's option. We estimate that if the 2004 measurement year is selected the payment would be in the range of 38 − 42 million Canadian dollars (or $30 − 33 million based on the exchange rate in effect at January 3, 2004). Unaudited pro forma information related to this acquisition is not included, as the impact of this transaction is not material to our consolidated results.

In September 2002, we acquired 100 percent of the equity interest of Ellen Tracy, Inc., a privately held fashion apparel company, and related companies (collectively "Ellen Tracy") for a purchase price of approximately $177.0 million, including the assumption of debt and fees. Ellen Tracy designs, wholesales and markets women's sportswear. Founded in 1949 and based in New York City, Ellen Tracy sells its products predominantly to select specialty stores and upscale department stores at bridge price points which are somewhat higher than the Company's core better−priced businesses. Brands include ELLEN TRACY, LINDA ALLARD ELLEN TRACY and COMPANY ELLEN TRACY.

On April 7, 2003, we acquired 100 percent of the equity interest of Juicy Couture, Inc. (formerly, Travis Jeans Inc.) ("JUICY COUTURE"), a privately held fashion apparel company. Founded in 1994 and based in southern California, JUICY COUTURE is a premium designer, marketer and wholesaler of sophisticated basics for women, men and children and is recognized around the world as a leading contemporary brand of casual lifestyle clothing. JUICY COUTURE sells its products predominantly through select specialty stores and upscale department stores and price points. JUICY COUTURE had sales of approximately $47 million in 2002. The total purchase price consisted of (a) a payment, including the assumption of debt and fees, of approximately $53.1 million, and (b) a contingent payment to be determined as a multiple of JUICY COUTURE's earnings for one of the years ended 2005, 2006 or 2007. The selection of the measurement year for the contingent payment is at either party's option.

We estimate that if the 2005 measurement year is selected, the contingent payment would be in the range of $72 − 76 million.

On December 1, 2003, we acquired 100 percent of the equity interest of ENYCE HOLDING LLC ("ENYCE"), a privately held fashion apparel company, for a purchase price of approximately $121.9 million, including fees and the retirement of debt at closing. Founded in 1996 by FILA USA and based in New York City, ENYCE is a designer, marketer and wholesaler of fashion forward streetwear, denim−based lifestyle products, outerwear, athletic−inspired apparel, casual tops and knitwear for men and women through its ENYCE(R) and Lady ENYCE(R) brands. ENYCE sells its products primarily through specialty store chains, better specialty stores and select department stores, as well as through international distributors (where arrangements are under review) in Germany, Canada and Japan. Currently, men's products account for approximately 84% of net sales, while women's products account for the balance.

RESULTS OF OPERATIONS

We present our results based on the three business segments discussed in the Overview section, as well as on the following geographic basis:

- Domestic: wholesale customers and Company specialty retail and outlet stores located in the United States; and
- International: wholesale customers and Company specialty retail and outlet stores and concession stores located outside of the United States, primarily MEXX Europe and MEXX Canada.

All data and discussion with respect to our specific segments included within this "Management's Discussion and Analysis" is presented after applicable intercompany eliminations. This presentation reflects a change instituted effective with the first quarter of Fiscal 2003, from our prior practice of presenting specific segment information prior to intercompany eliminations. Fiscal 2002 and 2001 data presented in this "Management's Discussion and Analysis" have been restated to conform to the presentation methodology used for Fiscal 2003.

2003 VS. 2002

The following table sets forth our operating results for the year ended January 3, 2004 compared to the year ended December 28, 2002:

	Year ended		Variance	
Dollars in millions	January 3, 2004	December 28, 2002	$	%
Net Sales	$ 4,241.1	$ 3,717.5	$ 523.6	14.1%
Gross Profit	1,889.8	1,619.6	270.2	16.7%
Selling, general &administrative expenses	1,419.7	1,222.6	197.1	16.1%
Restructuring (gain) charge	(0.7)	7.1	(7.8)	(109.9)%
Operating Income	470.8	389.9	80.9	20.7%
Other (expense) − net	(1.9)	(2.3)	(0.4)	(17.4)%
Interest (expense) − net	(30.5)	(25.1)	5.4	21.5%
Provision for income taxes	158.7	131.3	27.4	20.9%
Net Income	$ 279.7	$ 231.2	$ 48.5	21.0%

Net Sales

Net sales for 2003 were a record $4.241 billion, an increase of $523.6 million, or 14.1%, over net sales for 2002. The acquisitions of JUICY COUTURE and ENYCE and the inclusion of a full year's sales for our recently acquired MEXX Canada and ELLEN TRACY businesses added approximately $252.9 million in net sales for the year. Approximately $145.2 million of the year−over−year increase was due to the impact of foreign currency exchange rates, primarily as a result of the strengthening of the Euro. While fiscal year 2003 was comprised of 53 weeks, as compared to 52 weeks in fiscal year 2002, we do not believe this extra week had a material impact on our overall sales results for the year. Net sales results for our business segments are provided below:

- Wholesale Apparel net sales increased $342.4 million, or 13.7%, to $2.834 billion. This result reflected the following:
  - The addition of $217.9 million of sales from our recently acquired JUICY COUTURE and ENYCE businesses as well as the inclusion of a full year's sales of our ELLEN TRACY and MEXX Canada businesses;
  - An $84.1 million increase resulting from the impact of foreign currency exchange rates in our international businesses;
  - A $78.6 million sales increase in our MEXX Europe business (excluding the impact of foreign currency exchange rates) as a result of increased comparable sales and expansion of wholesale distribution into new geographic markets;
  - A $38.2 million net decrease primarily reflecting an approximate 12.2% decrease in our core LIZ CLAIBORNE business for the reasons discussed in the Overview section above, partially offset by increases in our Special Markets businesses, primarily as a result of the introduction of new products as well as increases in our DKNY(R) Jeans Men's and SIGRID OLSEN businesses due in each case to the addition of new retail customers and increased sales to existing retail customers.

- Wholesale Non-Apparel net sales were up $51.8 million, or 10.7%, to $538.0 million. The increase was primarily due to:
  - A $5.2 million increase resulting from the impact of foreign currency exchange rates in our international businesses; and
  - A $46.6 million net increase primarily due to increases in our LIZ CLAIBORNE and MONET jewelry businesses and our Handbags businesses and new products representing the extension of a number of our apparel brands into the non-apparel segment, as well as the addition of products under our KENNETH COLE jewelry license, which launched in Spring 2003.

- Retail net sales increased $119.8 million, or 16.7%, to $838.4 million. The increase reflected:
  - The addition of $35.0 million representing the inclusion of a full year's sales from our recently acquired MEXX Canada and ELLEN TRACY businesses;
  - A $55.9 million increase resulting from the impact of foreign currency exchange rates in our international businesses; and
  - A $28.9 million increase primarily due to the addition of new stores, partially offset by the decreases related to the domestic LIZ CLAIBORNE Specialty Retail stores, which were closed by the end of the second quarter of 2003. On a net basis, we opened 13 new Outlet stores, primarily MEXX Europe and MEXX Canada Outlets, and 2 new Specialty Retail stores, as the closure of the 22 domestic LIZ CLAIBORNE stores partially offset new store openings in our SIGRID OLSEN, LUCKY BRAND and MEXX Europe businesses. We also opened 71 new international concession stores in Europe over the last twelve months.

  Comparable store sales decreased 0.8% in our Specialty Retail business and decreased 2.3% in our Outlet stores, due in each case to lower volume related to reduced consumer traffic (excluding the extra week in 2003, comparable store sales were down 2.1% for Specialty Retail, and down 3.4% for Outlet stores).

- Corporate net sales, consisting of licensing revenue, increased $9.6 million to $30.5 million as a result of revenues from new licenses as well as growth in our existing licenses portfolio.

Viewed on a geographic basis, Domestic net sales increased by $267.3 million, or 8.8%, to $3.305 billion, predominantly reflecting the contribution of new and recent acquisitions. International net sales increased $256.3 million, or 37.7%, to $936.5 million. The international increase reflected the results of our MEXX Europe business and the inclusion of a full year's sales of our MEXX Canada business; approximately $145.2 million of this increase was due to the impact of currency exchange rates.

Gross Profit

Gross profit increased $270.2 million, or 16.7%, to $1.890 billion in 2003 over 2002. Gross profit as a percent of net sales increased to 44.6% in 2003 from 43.6% in 2002. Approximately $74.6 million of the increase was due to the impact of foreign currency exchange rates, primarily as a result of the strengthening of the Euro. The increased gross profit rate reflected a continued focus on inventory management and lower sourcing costs. The rate increase was also the result of the acquisition of JUICY COUTURE, the inclusion of a full year's activity for ELLEN TRACY and MEXX Canada and growth in our MEXX Europe business, as these businesses run at higher gross profit rates than the Company average, as well as higher gross profit rates in our Outlet business due to improved inventory management and reduced markdowns. The gross profit rate increase was moderated by rate decreases in our core LIZ CLAIBORNE and Special Markets businesses and by reduced gross profit rates in our domestic

specialty store businesses, reflecting the difficult retail environment resulting from reduced consumer traffic and increased competition.

Selling, General & Administrative Expenses

Selling, general & administrative expenses ("SG&A") increased $197.1 million, or 16.1%, to $1.420 billion in 2003 and as a percent of net sales increased to 33.5% in 2003 from 32.9% in 2002. SG&A increased for the following reasons:

- A $95.6 million increase resulting from the acquisitions of JUICY COUTURE and ENYCE, the start up of our MEXX USA and SIGRID OLSEN Specialty Retail businesses and the inclusion of a full year's expenses for MEXX Canada and ELLEN TRACY;
- A $61.7 million increase resulting from the impact of foreign currency exchange rates in our international businesses; and
- A $39.8 million increase resulting from volume-related growth and cost increases.

Our core LIZ CLAIBORNE business generally runs at a lower SG&A rate than the Company average. Given that fixed costs represent a large percentage of this business's SG&A expenditures, as the sales of this business have declined, its SG&A rate has increased. Moreover, as this business represents a lower proportion of overall Company sales, the Company's overall SG&A rate increases. In addition, an increased proportion of our expenses are represented by our MEXX Europe business, which runs at a higher SG&A rate than the Company average. The 2003 increase in the overall SG&A rate was moderated by the inclusion of ELLEN TRACY and JUICY COUTURE, which run at SG&A rates lower than the Company average.

Restructuring (Gain) Charge

In 2003, we recorded a pretax restructuring gain of $0.7 million ($0.4 million after tax), representing the reversal of the portion of the $7.1 million pretax ($4.5 million after tax) 2002 restructuring reserve (established to cover the costs associated with the closure of all 22 domestic Specialty Retail stores operating under the LIZ CLAIBORNE brand name) that was no longer required due to the completion of the activities associated with the reserve.

Operating Income

Operating income for 2003 was $470.8 million, an increase of $80.9 million, or 20.7%, over last year. Operating income as a percent of net sales increased to 11.1% in 2003 compared to 10.5% in 2002 primarily as a result of increased net sales and the improved gross profit rate discussed earlier. Approximately $12.9 million of the increase was due to the impact of foreign currency exchange rates, primarily as a result of the strengthening of the Euro. Operating income by business segment is provided below:

- Wholesale Apparel operating income increased $18.6 million to $302.4 million (10.7% of net sales) in 2003 compared to $283.8 million (11.4% of net sales) in 2002, principally reflecting the inclusion of a full year of our ELLEN TRACY and MEXX Canada businesses and the inclusion of our JUICY COUTURE and ENYCE businesses and increased profits in our SIGRID OLSEN and MEXX Europe businesses as well as in our Men's complex, partially offset by reduced profits in our core LIZ CLAIBORNE business for the reasons previously discussed.
- Wholesale Non-Apparel operating income increased $22.8 million to $56.9 million (10.6% of net sales) in 2003 compared to $34.1 million (7.0% of net sales) in 2002, principally due to increases in all of our Non-Apparel businesses.
- Retail operating income increased $30.1 million to $90.8 million (10.8% of net sales) in 2003 compared to $60.7 million (8.4% of net sales) in 2002, principally reflecting an increase in profits from our Outlet and LUCKY BRAND DUNGAREES and MEXX Europe Retail stores, partially offset by startup costs associated with the opening of our new MEXX USA and SIGRID OLSEN stores and losses in our ELISABETH stores as well as losses in our now discontinued domestic LIZ CLAIBORNE Specialty Retail store operation.
- Corporate operating income, primarily consisting of licensing operating income, increased $9.4 million to $20.7 million.

Viewed on a geographic basis, Domestic operating profit increased by $46.5 million, or 13.8%, to $382.5 million, predominantly reflecting the contribution of new and recent acquisitions. International operating profit increased $34.4 million, or 63.9% to $88.2 million. The international increase reflected the results of our MEXX business and the favorable impact of foreign exchange rates of $12.9 million.

Net Other Expense

Net other expense in 2003 was $1.9 million compared to $2.3 million in 2002. In 2003 net other expense was principally comprised of $2.4 million of minority interest expense (which relates to the 15% minority interest in Lucky Brand Dungarees, Inc. and the 2.5% minority interest in Segrets, Inc.) partially offset by other non-operating income primarily related to foreign exchange gains. In 2002, net other expense was principally comprised of $3.8

million of minority interest expense partially offset by other non-operating income primarily related to foreign exchange gains.

Net Interest Expense

Net interest expense in 2003 was $30.5 million, compared to $25.1 million in 2002, both of which were principally related to borrowings incurred to finance our strategic initiatives, including acquisitions. The impact of foreign currency exchange rates accounted for $4.3 million of the increase.

Provision for Income Taxes

The income tax rate in 2003 remained unchanged from the prior year at 36.2%.

Net Income

Net income increased in 2003 to $279.7 million, or 6.6% of net sales, from $231.2 million in 2002, or 6.2% of net sales. Diluted earnings per common share ("EPS") increased 18.1% to $2.55 in 2003, up from $2.16 in 2002. Our average diluted shares outstanding increased by 2.4 million shares in 2003 on a year-over-year basis, to 109.6 million, as a result of the exercise of stock options and the effect of dilutive securities.

2002 VS. 2001

The following table sets forth our operating results for the year ended December 28, 2002 compared to the year ended December 29, 2001:

	Year ended		Variance	
Dollars in millions	December 28, 2002	December 29, 2001	$	%
Net Sales	$ 3,717.5	$ 3,448.5	$ 269.0	7.8%
Gross Profit	1,619.6	1,427.3	192.3	13.5%
Selling, general &administrative expenses	1,222.6	1,080.5	142.1	13.2%
Restructuring charge	7.1	15.1	(8.0)	(52.6)%
Operating Income	389.9	331.7	58.2	17.5%
Other (expense) - net	(2.3)	(3.5)	(1.2)	(34.0)%
Interest (expense) - net	(25.1)	(28.1)	(3.0)	(10.6)%
Provision for income taxes	131.3	108.0	23.3	21.5%
Net Income	$ 231.2	$ 192.1	$ 39.1	20.4%

Net Sales

Net sales for 2002 were $3.718 billion, an increase of $269 million, or 7.8%, over net sales for 2001. This overall increase was primarily due to a $200.9 million increase in sales of our European MEXX operation reflecting the inclusion of a full year of sales as well as growth, an aggregate of $61.8 million in increases resulting from the inclusion of our recently acquired ELLEN TRACY and MEXX Canada businesses, and gains in our Special Markets, LUCKY BRAND DUNGAREES, SIGRID OLSEN branded businesses and non-apparel Jewelry and Handbags businesses. Approximately $31.2 million of the year-over-year increase was due to the impact of foreign currency exchange rates, primarily the strengthening of the Euro. These increases were offset primarily by planned decreases with respect to our core LIZ CLAIBORNE apparel business, in light of anticipated conservative buying patterns of our retail customers resulting from, among other things, the impact of September 11, 2001 on consumer spending in the first half of the year, as well as the prior year's higher sales levels reflecting the impact of our aggressive liquidation of excess inventories in the latter half of 2001. Net sales results for our business segments as well as a geographic breakout are provided below:

o Wholesale Apparel net sales increased $149.2 million, or 6.4%, to $2.492 billion. The increase principally reflected the following:
  - $126.4 million of additional net sales reflecting the inclusion of a full year's sales of MEXX (acquired in May 2001) as well as continued growth in MEXX's business;
  - The inclusion of an aggregate of $39.5 million of sales of our recently acquired ELLEN TRACY and MEXX Canada businesses;
  - A $17.7 million increase resulting from the impact of foreign currency exchange rates in our international businesses.
  - These increases were partially offset by a $97.0 million decrease in our core domestic LIZ CLAIBORNE business. Approximately half of this decrease reflected planned unit decreases in light of anticipated conservative buying patterns of our retailer customers in the first half of the year and the remainder was due to the prior year's higher sales levels as a result of our aggressive liquidation of excess inventory in the latter half of 2001.
  - The remainder of our Wholesale Apparel businesses experienced, in the aggregate, a net increase of approximately $62.6 million. This change resulted from sales increases in our Special Markets and SIGRID OLSEN businesses, due in each case to higher unit volume partially offset by lower average unit selling prices due to the inclusion of more lower-priced items in the product offerings; and in our LUCKY BRAND DUNGAREES and Men's DKNY(R) Jeans and Active businesses, due in each case to higher unit volume and higher average unit selling prices reflecting stronger demand. These increases were partially offset by decreases in our DANA BUCHMAN and Men's Sportswear and Furnishings businesses, reflecting overall planned unit decreases in light of anticipated conservative buying patterns of our retailer customers in the first half of the year, as well as last year's aforementioned aggressive excess inventory liquidation.

o Wholesale Non-Apparel increased $12.6 million, or 2.7%, to $486.2 million.
  - The increase reflected a total gain of $17.6 million in our LIZ CLAIBORNE Jewelry and Handbags businesses, due in each case to higher unit volume.
  - Increases resulting from the impact of foreign currency exchange rates were not material in this segment.
  - These increases were offset by decreases in our Cosmetics business, due to lower promotional sales, partially offset by year-over-year sales increases in our MAMBO fragrance (launched in August 2001) and the introduction of our BORA BORA fragrance in August 2002.

o Retail net sales increased $102.9 million, or 16.7%, to $718.6 million. The increase principally reflected the following:
  - $74.5 million of sales increases in our MEXX stores, reflecting the inclusion of a full year's sales as well as the net addition of 7 new stores;
  - The inclusion of an aggregate of $22.4 million of sales from the addition of 37 new MEXX Canada stores (acquired in July 2002) and 15 new ELLEN TRACY Outlet stores (acquired in September 2002); and
  - A $12.3 million increase resulting from the impact of foreign currency exchange rates in our international businesses.

  The above increases were partially offset by the following comparable store sales decreases due to a general decline in traffic and lower inventories at the store level resulting from conservative planning reflecting the challenging retail environment: an approximate 6% decline in our Outlet stores and an approximate 7% decline in our Specialty Retail stores, offset by the addition of 14 new LUCKY BRAND DUNGAREES Specialty Retail stores.

o Corporate net sales, primarily consisting of licensing revenues, increased $4.2 million to $20.9 million as a result of the inclusion of revenues from new licenses as well as growth in revenue from existing licenses.

International net sales increased $263.0 million, or 63.0% (to $680.2 million), due principally to a $200.9 million increase in MEXX sales, reflecting the inclusion of a full year's sales as well as growth in Europe in both MEXX's Wholesale and Retail operations, and, to a lesser extent, the inclusion of $23.8 million of sales from our recently acquired MEXX Canada business. As previously stated, approximately $31.2 million of the increase was due to the impact of foreign currency exchange rates. Domestic net sales increased $6.0 million, or 0.2% (to $3.037 billion), due principally to the recent acquisition of ELLEN TRACY, partially offset by conservative planning in the domestic portion of our Wholesale Apparel segment.

Gross Profit

Gross profit dollars increased $192.3 million, or 13.5%, in 2002 over 2001. Gross profit as a percent of net sales increased to 43.6% in 2002 from 41.4% in 2001. The increase in gross profit rate reflected improved company-wide inventory management (including continued improvement in the matching of our production orders with our

customer orders through the use of new systems and revamped business processes), improved product performance at retail and continued lower unit sourcing costs as a result of the continued consolidation and optimization of our worldwide supplier base, in combination with current favorable market conditions as a result of ongoing excess offshore sourcing capacity. The gross profit rate also benefited from a higher proportion of full-priced sales in our Jewelry, Handbags, Special Markets, LUCKY BRAND DUNGAREES Wholesale, LAUNDRY and Men's DKNY(R) Jeans and Active businesses, as well as the inclusion of a full year's results of MEXX, which runs at a higher gross margin rate than the Company average, reflecting its larger retail component. These increases were partially offset by lower gross margins in our Specialty Retail stores, Cosmetics, LIZ CLAIBORNE, Fashion Accessories, CLAIBORNE Men's and Women's DKNY(R) Jeans and Active and CITY DKNY(R) businesses and, in the fourth quarter, additional expenses related to the West Coast dock strike and slightly higher promotional activity at retail.

SG&A

SG&A increased $142.1 million, or 13.2%, in 2002 over 2001. These expenses as a percent of net sales increased to 32.9% in 2002 from 31.3% in 2001. These SG&A dollar and rate increases were principally due to the inclusion of a full year of the results of MEXX, which has a relatively higher SG&A rate than the Company average due to the fact that MEXX operates a geographically diverse and relatively large retail business, which is generally more expensive to operate than a wholesale business. The increase also reflected the lower proportion of sales derived from our relatively lower-cost core LIZ CLAIBORNE business, as well as the opening of new LUCKY BRAND DUNGAREES Specialty Retail and Outlet stores. We also incurred higher SG&A costs and rates in our Women's DKNY(R) Jeans and Active and CITY DKNY(R) businesses as well as through the inclusion of the newly acquired MEXX Canada and ELLEN TRACY businesses, which each run at a higher SG&A rate than the Company average. The increase in SG&A was partially mitigated by ongoing Company-wide expense management and cost reduction initiatives and reduced goodwill amortization as a result of the implementation of SFAS No. 142, "Accounting for Goodwill and Other Intangibles," as well as lower SG&A costs and rates in our CLAIBORNE Men's, Special Markets, LAUNDRY and KENNETH COLE NEW YORK Women's businesses.

Restructuring Charge

We recorded a $7.1 million pretax ($4.5 million after tax) net restructuring charge in the fourth quarter of 2002. The charge covered costs associated with the closure of all 22 LIZ CLAIBORNE Specialty Retail stores. The determination to close the stores was intended to eliminate redundancy between this retail format and the wide department store base in which our products are available. The $9.9 million charge included costs associated with lease obligations ($5.4 million), asset write-offs ($3.3 million) and other store closing costs ($1.2 million), offset by $2.8 million deemed no longer necessary of our previous restructuring liability originally recorded in December 2001.

Operating Income

As a result of the factors described above, operating income increased $58.2 million, or 17.5%, to $389.9 million in 2002 over 2001. Operating income as a percent of net sales increased to 10.5% in 2002 compared to 9.6% in 2001. Operating income by business segment as well as a geographic breakout is provided below:

- Wholesale Apparel operating profit increased $45.4 million to $283.8 million (11.4% of net sales) in 2002 compared to $238.4 million (10.2% of net sales) in 2001. Our domestic LIZ CLAIBORNE business produced increased profits despite lower sales and gross margins primarily due to expense management and cost reduction initiatives. Operating income also benefited from a higher proportion of sales in our Special Markets and SIGRID OLSEN businesses, partially offset by reduced profits in our Women's DKNY(R) Jeans and Active and CITY DKNY(R) and CLAIBORNE Men's businesses.
- Wholesale Non-Apparel operating profit increased $0.5 million to $34.1 million (7.0% of net sales) in 2002 compared to $33.6 million (7.1% of net sales) in 2001, principally due to increases in our Jewelry business, partially offset by reduced profit dollars in our Cosmetics business.
- Retail operating profit decreased $8.6 million to $60.7 million (8.4% of net sales) in 2002 compared to $69.3 million (11.3% of net sales) in 2001, principally reflecting the $7.1 million restructuring charge in 2002, reduced comparable store sales and increased operating expenses from the additional store base in our Outlet stores and LUCKY BRAND DUNGAREES Specialty Retail stores, as well as operating losses in our LIZ CLAIBORNE and ELISABETH Specialty Retail stores, partially offset by the inclusion of a full year's profits from the MEXX Retail stores.
- Corporate operating income, consisting primarily of licensing income, increased $20.9 million to $11.3 million.

- Domestic operating profit increased by $45.7 million, or 15.7%, to $336.1 million, due to the gross profit improvements discussed above. International operating profit increased $12.5 million, or 30.2% (to $53.8 million) due to the inclusion of profits from our recently acquired MEXX and MEXX Canada businesses.

Net Other Expense
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Net other expense in fiscal 2002 was $2.3 million, principally comprised of $3.8 million of minority interest expense (which relates to the 15% minority interest in Lucky Brand Dungarees, Inc. and the 2.5% minority interest in Segrets, Inc.), partially offset by other non–operating income, primarily comprised of net foreign exchange gains, compared to $3.5 million in 2001, comprised of $3.6 million of minority interest expense, partially offset by other non–operating income.

Net Interest Expense
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Net interest expense in fiscal 2002 was $25.1 million, principally comprised of interest expense on the Eurobond offering incurred to finance our acquisition of MEXX, compared to $28.1 million in 2001, representing interest expense on commercial paper borrowings, incurred to finance our strategic initiatives including costs associated with our acquisitions and capital expenditures, and the Eurobond offering.

Provision for Income Taxes
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Our tax provision for 2002 was $131.3 million, or 36.2% of pretax income, as compared to $108.0 million, or 36.0% of pretax income in 2001. The higher rate resulted primarily from increased taxes associated with foreign operations.

Net Income
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Net income increased in 2002 to $231.2 million from $192.1 million in 2001 and increased as a percent of net sales to 6.2% in 2002 from 5.6% in 2001, due to the factors described above. Diluted earnings per common share increased 18.0% to $2.16 in 2002 from $1.83 in 2001. Our average diluted shares outstanding increased by 2.1 million shares in 2002, to 107.2 million, as a result of the exercise of stock options and the effect of dilutive securities.

FORWARD OUTLOOK
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For fiscal 2004, we forecast a net sales increase of 6 − 8% (including a 1% sales increase due to the impact of foreign currency exchange rates), an operating margin in the range of 11.1 − 11.3% and EPS in the range of $2.70 − 2.77.

- In our Wholesale Apparel segment, we expect fiscal 2004 net sales to increase in the range of 3 − 5% (including a 1% sales increase due to the impact of foreign currency exchange rates), primarily driven by the inclusion of a full year's sales in our JUICY COUTURE and ENYCE businesses, the launches of our REALITIES and INTUITIONS brands and increases in our MEXX Europe, SIGRID OLSEN, LUCKY BRAND and licensed DKNY(R) Jeans businesses, offset by mid−teens decreases in our core LIZ CLAIBORNE and Special Markets businesses.
- In our Wholesale Non−Apparel segment, we expect fiscal 2004 net sales to increase in the range of 4 − 6%, primarily driven by the introduction of new products.
- In our Retail segment, we expect fiscal 2004 net sales to increase in the range of 15 − 18% (including a 2% sales increase due to the impact of foreign currency exchange rates), primarily driven by increases in our LUCKY BRAND and MEXX Europe businesses as well as the conservative rollout of the MEXX USA and SIGRID OLSEN formats which were introduced in the second half of fiscal 2003, partially offset by decreases related to the fiscal 2003 closure of our domestic LIZ CLAIBORNE Specialty Retail stores.
- In our Corporate segment, we expect fiscal 2004 licensing revenue to increase by 20% over 2003.
- We are projecting cash flows from operations will be in the $400 million range.
- Gross profit and SG&A rates are expected to increase by 130 − 170 basis points.
- Interest expense is expected to be in the $30 − 32 million range; the upper end of this range reflects the interest estimated on the projected borrowings that would be required to fund the additional payments that may come due in 2004 in connection with the acquisition of MEXX Europe. See "Financial Position, Capital Resources and Liquidity−Commitments and Capital Expenditures" below and Note 2 of Notes to the Consolidated Financial Statements.
- Other expenses are projected at approximately $5 million, with no additional stock buyback, diluted shares are projected at 112.5 million, and our projected 2004 tax rate is 35.2%, which is down from the 36.2% rate in 2003 as a result of the integration of our LIZ CLAIBORNE Europe and MEXX operations.
- Projected 2004 capital expenditures are approximately $125 million, reflecting planned new product launches and the opening of additional Specialty Retail stores.
- For 2004, depreciation and amortization expense is projected at $114 million.

For the first quarter of 2004, we forecast a net sales increase of 2 − 5%, an operating margin in the range of 10.0 − 10.2% and EPS in the range of $0.60 − 0.62. We are projecting that the impact of foreign currency exchange rates will account for approximately 2% of the planned sales increase.

- In our Wholesale Apparel segment, we expect first quarter 2004 net sales to increase in the range of 1 − 4%, primarily driven by the acquisitions of JUICY COUTURE and ENYCE and increases in our MEXX Europe, LUCKY BRAND, licensed DKNY(R) Jeans and SIGRID OLSEN businesses, offset by decreases in our core LIZ CLAIBORNE and Special Markets businesses.
- In our Wholesale Non−Apparel segment, we expect first quarter 2004 net sales to increase in the range of 2 − 5%, primarily driven by the introduction of new products.
- In our Retail segment, we expect first quarter 2004 net sales to increase in the range of the 8 − 12%, primarily driven by increases in our LUCKY BRAND and MEXX Europe businesses as well as the conservative rollout of the MEXX USA and SIGRID OLSEN formats which were introduced in the second half of fiscal 2003, partially offset by decreases related to the fiscal 2003 closure of our domestic LIZ CLAIBORNE Specialty Retail stores.
- In our Corporate segment, we expect first quarter 2004 licensing revenue to increase by 20%.
- Gross profit and SG&A rates are expected to increase by 180 − 220 basis points for the quarter.
- Interest expense for the quarter is projected at $7.5 million and other expense is projected at $1 million; and diluted shares outstanding are projected at 111.5 million.

All of these forward−looking statements exclude the impact of any future acquisitions or stock repurchases. The foregoing forward−looking statements are qualified in their entirety by reference to the risks and uncertainties set forth under the heading "STATEMENT REGARDING FORWARD−LOOKING DISCLOSURE" below.

FINANCIAL POSITION, CAPITAL RESOURCES AND LIQUIDITY

Cash Requirements. Our primary ongoing cash requirements are to fund growth in working capital (primarily accounts receivable and inventory) to support projected sales increases, investment in the technological upgrading of our distribution centers and information systems, and other expenditures related to retail store expansion, in−store merchandise shops and normal maintenance activities. We also require cash to fund our acquisition program.

Sources of Cash. Our historical sources of liquidity to fund ongoing cash requirements include cash flows from operations, cash and cash equivalents and securities on hand, as well as borrowings through our commercial paper program and bank lines of credit (which include revolving and trade letter of credit facilities); in 2001, we issued Euro−denominated bonds (the "Eurobonds") to fund the initial payment in connection with our acquisition of MEXX Europe. These bonds are designated as a hedge of our net investment in MEXX (see Note 2 of Notes to Consolidated Financial Statements). We anticipate that cash flows from operations, our commercial paper program and bank and letter of credit facilities will be sufficient to fund our next twelve months' liquidity requirements and that we will be able to adjust the amounts available under these facilities if necessary (see "Commitments and Capital Expenditures" for more information on future requirements). Such sufficiency and availability may be adversely affected by a variety of factors, including, without limitation, retailer and consumer acceptance of our products, which may impact our financial performance, maintenance of our investment−grade credit rating, as well as interest rate and exchange rate fluctuations.

2003 vs. 2002

Cash and Debt Balances. We ended 2003 with $343.9 million in cash and marketable securities, compared to $248.4 million at year−end 2002, and with $459.2 million of debt outstanding, compared to $399.7 million at year−end 2002. This $36.0 million decrease in our net debt position is primarily attributable to cash flows from operations for the full year of $392.1 million partially offset by the payments made to acquire JUICY COUTURE and ENYCE, additional payments made in connection with the acquisitions of Lucky Brand Dungarees and MEXX Canada and the effect of foreign currency translation on our Eurobond, which added $75.1 million to our debt balance. We ended 2003 with a record $1.578 billion in stockholders' equity, giving us a total debt to total capital ratio of 22.5%, compared to $1.286 billion in stockholder's equity and a total debt to total capital ratio of 23.7% in 2002.

Accounts receivable increased $20.3 million, or 5.5%, at year−end 2003 compared to year−end 2002, primarily due to our acquisitions of JUICY COUTURE and ENYCE and the impact of foreign currency exchange rates of $22.0 million, primarily related to the strengthening of the Euro, partially offset by decreases in receivables in our core LIZ CLAIBORNE apparel business due to the reasons discussed above.

Inventories increased $24.0 million, or 5.2%, at year-end 2003 compared to year-end 2002. The acquisitions of JUICY COUTURE and ENYCE as well as new product initiatives were responsible for $27.6 million of the increase. Inventories in our comparable domestic businesses declined by $70.6 million while our international inventories grew by $67.0 million. The early receipt of Spring product in our Mexx Europe business accounted for $24.5 million of the international increase while approximately $30.3 million of the increase is related to the impact of currency exchange rates, primarily related to the strengthening of the Euro. Our average inventory turnover rate for 2003 was unchanged at 4.7 times compared to 2002. We continue to take a conservative approach to inventory management in 2004.

Borrowings under our revolving credit facility and other credit facilities peaked at $136 million during 2003; at year-end 2003, our borrowings under these facilities were $18.9 million.

Net cash provided by operating activities was $392.1 million in 2003, compared to $393.9 million provided in 2002. This $1.8 million change in cash flows was primarily due to a $20.9 million use of cash for working capital in 2003 compared to $58.0 million provided by working capital in 2002, driven primarily by year-over-year changes in the accounts receivable and inventory balances (discussed above), partially offset by the increase in net income of $48.5 million in 2003 from 2002.

Net cash used in investing activities was $337.3 million in 2003, compared to $306.8 million in 2002. Net cash used in 2003 primarily reflected $222.3 million in acquisition-related payments for the purchase of JUICY COUTURE and ENYCE, as well as approximately $46.4 million of additional payments made in connection with the acquisitions of LUCKY BRAND DUNGAREES and MEXX Canada. We also spent $107.2 million for capital and in-store expenditures. Net cash used in 2002 primarily reflected $88.9 million in capital and in-store expenditures and $206.3 million for the purchases of MEXX Canada and Ellen Tracy.

Net cash provided by financing activities was $7.0 million in 2003, compared to $39.2 million used in 2002. The $46.2 million year-over-year increase primarily reflected reduced payments on commercial paper due to reduced issuances in 2003 and an increase in proceeds received from the exercise of stock options.

2002 vs. 2001

Cash and Debt Balances. We ended 2002 with $248.4 million in cash and marketable securities, compared to $160.6 million at December 29, 2001, and with $399.7 million of debt outstanding compared to $387.3 million. This $75.4 million improvement in our debt net of cash position over the last twelve months is primarily attributable to the differences in working capital due to the factors discussed below, partially offset by approximately $206.3 million in purchase price payments connected with our acquisitions of Ellen Tracy and MEXX Canada. The foreign currency exchange translation on our Eurobond added approximately $55.5 million to our debt balance at December 28, 2002 compared to December 29, 2001, as a result of the strengthening of the Euro.

Accounts receivable increased $8.3 million, or 2.3%, at December 28, 2002 compared to December 29, 2001 due to the assumption of the accounts receivable of our recently acquired Ellen Tracy and MEXX Canada businesses, which accounted for approximately 85% of the increase. The impact of foreign currency exchange rates, primarily the strengthening of the Euro, contributed an approximate $13.5 million increase in accounts receivable which was largely offset by accounts receivable decreases in our domestic operations.

Inventories decreased $26.8 million, or 5.5%, at the end of 2002 compared to the end of 2001. These decreases reflect conservative planning and improved processes and procedures implemented during the second half of 2001 to help adjust the flow of replenishment product and seasonal essential programs into our warehouses, as well as supply and demand balancing aided by technology. These decreases were partially offset by an increase in inventories of $21.4 million resulting from our acquisitions of Ellen Tracy and MEXX Canada and a $14.1 million increase in inventory resulting from the impact of foreign currency exchange rates, primarily the strengthening of the Euro. Our average inventory turnover rate increased to 4.7 times for the year ended December 28, 2002 from 4.0 times for the 12-month period ended December 29, 2001.

Borrowings under our commercial paper and revolving credit facilities peaked at $114.9 million during 2002; at December 28, 2002, borrowings under these facilities were $12.6 million.

Net cash provided by operating activities was $393.9 million during 2002, compared to $329.2 million in 2001. This $64.7 million change in cash flows was primarily due to $58.0 million of cash provided by working capital in 2002 compared to a $4.8 million use of cash in 2001, driven primarily by year-over-year changes in the accounts

receivable, accrued expense, accounts payable and inventory balances, as well as the increase in net income of $39.1 million from 2001.

Net cash used in investing activities was $306.8 million in fiscal 2002, compared to $384.7 million in fiscal 2001. The 2002 net cash used primarily reflected capital and in-store merchandise shop expenditures of $88.9 million and $206.3 million for the purchase of MEXX Canada and Ellen Tracy; 2001 net cash used primarily reflected $274.1 million in connection with the acquisition of our MEXX business, along with capital and in-store merchandise shop expenditures of $107.0 million.

Net cash used in financing activities was $39.2 million in fiscal 2002, compared to $131.1 million provided by financing activities in fiscal 2001. The $170.3 million year-over-year decrease primarily reflected the issuance of $309.6 million of Eurobonds in 2001 to finance the May 2001 acquisition of MEXX and a decrease of $6.6 million in net proceeds from the exercise of stock options, partially offset by the assumption of $17.2 million of short term debt in 2002 and a $126.3 million year-over-year decrease in the repayment of the commercial paper program.

Commitments and Capital Expenditures

We may be required to make additional payments in 2004 and 2005 in connection with our acquisitions of the MEXX, LUCKY BRAND DUNGAREES, Segrets, MEXX Canada and JUICY COUTURE businesses (see Note 2 of Notes to Consolidated Financial Statements). These payments become due when triggered by us or the seller, pursuant to provisions in the MEXX, MEXX Canada and JUICY COUTURE acquisition agreements that call for contingent purchase price payments, as well as provisions contained in the LUCKY BRAND DUNGAREES and Segrets acquisition agreements which could require us to purchase the minority interest shares in these businesses. We estimate that if these 2004-eligible payments are triggered in 2004, they would fall (based on exchange rates in effect at January 3, 2004) in the range of $181 - 186 million for MEXX, $32 - 45 million for LUCKY BRAND DUNGAREES, and $2 - 4 million for Segrets. These payments will be made in either cash or shares of our common stock at the option of either the Company or, with respect to LUCKY BRAND DUNGAREES and Segrets, the seller, and will be financed with net cash provided by operating activities and our revolving credit, trade letter of credit and other credit facilities. In addition, we are currently evaluating numerous alternatives, including the issuance of debt as well as the use of our operating cash flows to assist us in funding these payments.

Our anticipated capital expenditures for 2004 are expected to approximate $125 million. These expenditures will consist primarily of the continued technological upgrading and expansion of our management information systems and distribution facilities (including certain building and equipment expenditures) and the opening of retail stores and in-store merchandise shops. Capital expenditures and working capital cash needs will be financed with net cash provided by operating activities and our revolving credit, trade letter of credit and other credit facilities.

The following table summarizes as of January 3, 2004 our contractual cash obligations by future period (see Notes 2, 3, 10 and 11 of Notes to Consolidated Financial Statements):

	Payments due by period				
Contractual cash obligations (In thousands)	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
Operating leases	$ 141,542	$ 247,590	$ 203,605	$ 363,172	$ 955,909
Inventory purchase commitments	614,840	--	--	--	614,840
Eurobonds	--	440,475	--	--	440,475
Guaranteed minimum licensing royalties	25,762	32,000	26,000	52,000	135,762
Short-term borrowings	18,915	--	--	--	18,915
Synthetic lease	3,508	71,283	--	--	74,791
Additional acquisition purchase price payments	223,500	104,500	--	--	328,000

Financing Arrangements

On August 7, 2001, we issued 350 million Euros (or $307.2 million based on the exchange rate in effect on such date) of 6.625% notes due in 2006 (the "Eurobonds"). The Eurobonds are listed on the Luxembourg Stock Exchange and received a credit rating of BBB from Standard & Poor's and Baa2 from Moody's Investor Services. Interest on the Eurobonds is being paid on an annual basis until maturity.

On October 21, 2002, we received a $375 million, 364-day unsecured financing commitment under a bank revolving credit facility, replacing a $500 million, 364-day unsecured credit facility scheduled to mature in November 2002, and a $375 million, three-year bank revolving credit facility, replacing an existing $250 million bank facility which was scheduled to mature in November 2003. The three-year facility includes a $75 million multi-currency revolving credit line which permits us to borrow in U.S. dollars, Canadian dollars and Euros. At December 28, 2002, we had no commercial paper outstanding and $12.6 million of borrowings denominated in Euro at an interest rate of 3.6%. The carrying amount of our borrowings under the commercial paper program approximates fair value because the interest rates are based on floating rates, which are determined by prevailing market rates.

On October 17, 2003, we received a $375 million, 364-day unsecured financing commitment under a bank revolving credit facility, replacing the existing $375 million, 364-day unsecured credit facility scheduled to mature in October 2003, and on October 21, 2002, we received a $375 million, three-year bank revolving credit facility (collectively, the "Agreement"). The aforementioned bank facility replaced an existing $750 million bank facility which was scheduled to mature in November 2003. The three-year facility includes a $75 million multi-currency revolving credit line, which permits us to borrow in U.S. dollars, Canadian dollars and Euro. Repayment of outstanding balances of the 364-day facility can be extended for one year after the maturity date. The Agreement has two borrowing options, an "Alternative Base Rate" option, as defined in the Agreement, and a Eurocurrency rate option with a spread based on our long-term credit rating. The Agreement contains certain customary covenants, including financial covenants requiring us to maintain specified debt leverage and fixed charge coverage ratios, and covenants restricting our ability to, among other things, incur indebtedness, grant liens, make investments and acquisitions, and sell assets. We believe we are in compliance with such covenants. The Agreement may be directly drawn upon, or used, to support our $750 million commercial paper program, which is used from time to time to fund working capital and other general corporate requirements. Our ability to obtain funding through its commercial paper program is subject to, among other things, the Company maintaining an investment-grade credit rating. At January 3, 2004, we had no debt outstanding under the Agreement.

As of January 3, 2004 and December 28, 2002, we had lines of credit aggregating $487 million and $469 million, respectively, which were primarily available to cover trade letters of credit. At January 3, 2004 and December 28, 2002, we had outstanding trade letters of credit of $254 million and $291 million, respectively. These letters of credit, which have terms ranging from one to ten months, primarily collateralize our obligations to third parties for the purchase of inventory. The fair value of these letters of credit approximates contract values.

Our Canadian and European subsidiaries also have unsecured lines of credit totaling approximately $76.1 million (based on the exchange rates as of January 3, 2004). As of January 3, 2004, a total of $18.9 million of borrowings denominated in foreign currencies was outstanding at an average interest rate of 2.8%. These lines of credit bear interest at rates based on indices specified in the contracts plus a margin. The lines of credit are in effect for less than one year and mature at various dates in 2004. These lines are guaranteed by the Company. With the exception of the Eurobonds, which mature in 2006, substantially all of our debt will mature in 2004 and will be refinanced under existing credit lines.

Off-Balance Sheet Arrangements

On May 22, 2001, we entered into an off-balance sheet financing arrangement (commonly referred to as a "synthetic lease") to acquire various land and equipment and construct buildings and real property improvements associated with warehouse and distribution facilities in Ohio and Rhode Island. The leases expire on November 22, 2006 with renewal subject to the consent of the lessor. The lessor under the operating lease arrangements is an independent third-party limited liability company, which has contributed equity of 5.75% of the $63.7 million project costs. The leases include guarantees by us for a substantial portion of the financing and options to purchase the facilities at original cost; the maximum guarantee is approximately $54 million. The guarantee becomes effective if we decline to purchase the facilities at the end of the lease and the lessor is unable to sell the property at a price equal to or greater than the original cost. We selected this financing arrangement to take advantage of the favorable financing rates such an arrangement afforded as opposed to the rates available under alternative real estate financing options. The lessor financed the acquisition of the facilities through funding provided by third-party financial institutions. The lessor has no affiliation or relationship with the Company or any of its employees, directors or affiliates, and the Company's transactions with the lessor are limited to the operating lease agreements and the associated rent expense that will be included in Selling, general & administrative expense in the Consolidated Statements of Income.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities (an interpretation of ARB No. 51)", which was revised in December 2003 ("FIN 46") (see Note 22 of Notes to Consolidated Financial Statements). The third party lessor does not meet the definition of a variable interest entity under FIN 46, and therefore consolidation by the Company is not required.

Hedging Activities

At year-end 2003, we had various Euro currency collars outstanding with a net notional amount of $42 million, maturing through July 2004 and with values ranging between 1.05 and 1.14 U.S. dollar per Euro as compared to $80.0 million in Euro currency collars and average rate options at year-end 2002. At year-end 2003, we also had forward contracts maturing through December 2004 to sell 58 million Euro for $64 million and 16 million Canadian dollars for $12 million. The notional value of the foreign exchange forward contracts was approximately $76 million at year-end 2003, as compared with approximately $61 million at year-end 2002. Unrealized losses for outstanding foreign exchange forward contracts and currency options were approximately $11.8 million at year-end 2003 and approximately $5.2 million at year-end 2002. The ineffective portion of these contracts was not material and was expensed in 2003.

In connection with the variable rate financing under the synthetic lease agreement, we have entered into two interest rate swap agreements with an aggregate notional amount of $40.0 million that began in January 2003 and will terminate in May 2006, in order to fix the interest component of rent expense at a rate of 5.56%. We have entered into this arrangement to provide protection against potential future interest rate increases. The change in fair value of the effective portion of the interest rate swap is recorded as a component of Accumulated Other Comprehensive Income (Loss) since these swaps are designated as cash flow hedges. The ineffective portion of these swaps is recognized currently in earnings and was not material for the year ended January 3, 2004.

USE OF ESTIMATES AND CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the period. Significant accounting policies employed by the Company, including the use of estimates, are presented in the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Use of Estimates

Estimates by their nature are based on judgments and available information. The estimates that we make are based upon historical factors, current circumstances and the experience and judgment of our management. We evaluate our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluations. Therefore, actual results could materially differ from those estimates under different assumptions and conditions.

Critical Accounting Policies are those that are most important to the portrayal of our financial condition and the results of operations and require management's most difficult, subjective and complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our most critical accounting policies, discussed below, pertain to revenue recognition, income taxes, accounts receivable - trade, net, inventories, net, the valuation of goodwill and intangible assets with indefinite lives, accrued expenses and derivative instruments. In applying such policies, management must use some amounts that are based upon its informed judgments and best estimates. Because of the uncertainty inherent in these estimates, actual results could differ from estimates used in applying the critical accounting policies. Changes in such estimates, based on more accurate future information, may affect amounts reported in future periods.

For accounts receivable, we estimate the net collectibility, considering both historical and anticipated trends as well as an evaluation of economic conditions and the financial positions of our customers. For inventory, we review the aging and salability of our inventory and estimate the amount of inventory that we will not be able to sell in the normal course of business. This distressed inventory is written down to the expected recovery value to be realized through off-price channels. If we incorrectly anticipate these trends or unexpected events occur, our results of operations could be materially affected. We use independent third-party appraisals to estimate the fair values of both our goodwill and intangible assets with indefinite lives. These appraisals are based on projected cash flows, interest rates and other competitive market data. Should any of the assumptions used in these projections differ significantly from actual results, material impairment losses could result where the estimated fair values of these assets become less than their carrying amounts. For accrued expenses related to items such as employee insurance, workers' compensation and similar items, accruals are assessed based on outstanding obligations, claims experience and statistical trends; should these trends change significantly, actual results would likely be impacted. Derivative instruments in the form of forward contracts and options are used to hedge the exposure to variability in probable future cash flows associated with inventory purchases and sales collections primarily associated with our European and Canadian entities. If fluctuations in the relative value of the currencies involved in the hedging activities were to move dramatically, such movement could have a significant impact on our results. Changes in such estimates, based on more accurate information, may affect amounts reported in future periods. We are not aware of any

reasonably likely events or circumstances which would result in different amounts being reported that would materially affect our financial condition or results of operations.

Revenue Recognition

Revenue within our wholesale operations is recognized at the time title passes and risk of loss is transferred to customers. Wholesale revenue is recorded net of returns, discounts and allowances. Returns and allowances require pre−approval from management. Discounts are based on trade terms. Estimates for end−of−season allowances are based on historic trends, seasonal results, an evaluation of current economic conditions and retailer performance. We review and refine these estimates on a monthly basis based on current experience, trends and retailer performance. Our historical estimates of these costs have not differed materially from actual results. Retail store revenues are recognized net of estimated returns at the time of sale to consumers. Retail revenues are recorded net of returns. Licensing revenues are recorded based upon contractually guaranteed minimum levels and adjusted as actual sales data is received from licensees.

Income Taxes

Income taxes are accounted for under Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." In accordance with this statement, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as measured by enacted tax rates that are expected to be in effect in the periods when the deferred tax assets and liabilities are expected to be settled or realized. Significant judgment is required in determining the worldwide provisions for income taxes. In the ordinary course of a global business, there are many transactions for which the ultimate tax outcome is uncertain. It is our policy to establish provisions for taxes that may become payable in future years as a result of an examination by tax authorities. We establish the provisions based upon management's assessment of exposure associated with permanent tax differences, tax credits and interest expense applied to temporary difference adjustments. The tax provisions are analyzed periodically (at least annually) and adjustments are made as events occur that warrant adjustments to those provisions.

Accounts Receivable − Trade, Net

In the normal course of business, we extend credit to customers that satisfy pre−defined credit criteria. Accounts Receivable − Trade, Net, as shown on the Consolidated Balance Sheets, is net of allowances and anticipated discounts. An allowance for doubtful accounts is determined through analysis of the aging of accounts receivable at the date of the financial statements, assessments of collectibility based on an evaluation of historic and anticipated trends, the financial condition of our customers, and an evaluation of the impact of economic conditions. An allowance for discounts is based on those discounts relating to open invoices where trade discounts have been extended to customers. Costs associated with potential returns of products as well as allowable customer markdowns and operational charge backs, net of expected recoveries, are included as a reduction to net sales and are part of the provision for allowances included in Accounts Receivable − Trade, Net. These provisions result from seasonal negotiations with our customers as well as historic deduction trends net of expected recoveries and the evaluation of current market conditions. Should circumstances change or economic or distribution channel conditions deteriorate significantly, we may need to increase its provisions. Our historical estimates of these costs have not differed materially from actual results.

Inventories, Net

Inventories are stated at lower of cost (using the first−in, first−out method) or market. We continually evaluate the composition of our inventories assessing slow−turning, ongoing product as well as prior seasons' fashion product. Market value of distressed inventory is determined based on historical sales trends for the category of inventory involved, the impact of market trends and economic conditions, and the value of current orders in−house relating to the future sales of this type of inventory. Estimates may differ from actual results due to quantity, quality and mix of products in inventory, consumer and retailer preferences and market conditions. We review our inventory position on a monthly basis and adjust our estimates based on revised projections and current market conditions. If economic conditions worsen, we incorrectly anticipate trends or unexpected events occur, our estimates could be proven overly optimistic, and required adjustments could materially adversely affect future results of operations. Our historical estimates of these costs and our provisions have not differed materially from actual results.

Goodwill And Other Intangibles

On December 30, 2001, the first day of fiscal year 2002, we adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires that goodwill and intangible assets with indefinite lives no longer be amortized, but rather be tested at least annually for impairment. This pronouncement also requires that intangible assets with finite lives be amortized over their respective lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long−Lived Assets." A two−step impairment test is performed on goodwill. In the first step, we compare the fair value of

each reporting unit to its carrying value. Our reporting units are consistent with the reportable segments identified in Note 20 of the Consolidated Financial Statements. We determine the fair value of our reporting units using the market approach as is typically used for companies providing products where the value of such a company is more dependent on the ability to generate earnings than the value of the assets used in the production process. Under this approach we estimate the fair value based on market multiples of revenues and earnings for comparable companies. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step in order to determine the implied fair value of the reporting unit's goodwill and compare it to the carrying value of the reporting unit's goodwill. The activities in the second step include valuing the tangible and intangible assets of the impaired reporting unit, determining the fair value of the impaired reporting unit's goodwill based upon the residual of the summed identified tangible and intangible assets and the fair value of the enterprise as determined in the first step, and determining the magnitude of the goodwill impairment based upon a comparison of the fair value residual goodwill and the carrying value of goodwill of the reporting unit. If the carrying value of the reporting unit's goodwill exceeds the implied fair value, then we must record an impairment loss equal to the difference. SFAS No. 142 also requires that the fair value of the purchased intangible assets, primarily trademarks and trade names, with indefinite lives be estimated and compared to the carrying value. We estimate the fair value of these intangible assets using independent third parties who apply the income approach using the relief-from-royalty method, based on the assumption that in lieu of ownership, a firm would be willing to pay a royalty in order to exploit the related benefits of these types of assets. This approach is dependent on a number of factors including estimates of future growth and trends, estimated royalty rates in the category of intellectual property, discounted rates and other variables. We base our fair value estimates on assumptions we believe to be reasonable, but which are unpredictable and inherently uncertain. Actual future results may differ from those estimates. We recognize an impairment loss when the estimated fair value of the intangible asset is less than the carrying value. Owned trademarks that have been determined to have indefinite lives are not subject to amortization and are reviewed at least annually for potential value impairment as mentioned above. Trademarks that are licensed by the Company from third parties are amortized over the individual terms of the respective license agreements, which range from 5 to 15 years. Intangible merchandising rights are amortized over a period of four years.

The recoverability of the carrying values of all long-lived assets with definite lives is reevaluated when changes in circumstances indicate the assets' value may be impaired. Impairment testing is based on a review of forecasted operating cash flows and the profitability of the related business. For the three-year period ended January 3, 2004, there were no material adjustments to the carrying values of any long-lived assets resulting from these evaluations.

Accrued Expenses

Accrued expenses for employee insurance, workers' compensation, profit sharing, contracted advertising, professional fees, and other outstanding Company obligations are assessed based on claims experience and statistical trends, open contractual obligations, and estimates based on projections and current requirements. If these trends change significantly, then actual results would likely be impacted. Our historical estimates of these costs and our provisions have not differed materially from actual results.

Derivative Instruments

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and interpreted, requires that each derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability and measured at its fair value. The statement also requires that changes in the derivative's fair value be recognized currently in earnings in either income (loss) from continuing operations or Accumulated Other Comprehensive Income (Loss), depending on whether the derivative qualifies for hedge accounting treatment.

We use foreign currency forward contracts and options for the specific purpose of hedging the exposure to variability in forecasted cash flows associated primarily with inventory purchases mainly with our European and Canadian entities and other specific activities and the swapping of variable interest rate debt for fixed rate debt in connection with the synthetic lease. These instruments are designated as cash flow hedges and, in accordance with SFAS No. 133, to the extent the hedges are highly effective, the changes in fair value are included in Accumulated Other Comprehensive Income (Loss), net of related tax effects, with the corresponding asset or liability recorded in the balance sheet. The ineffective portion of the cash flow hedge, if any, is recognized in current-period earnings. Amounts recorded in Accumulated Other Comprehensive Income (Loss) are reflected in current-period earnings when the hedged transaction affects earnings. If fluctuations in the relative value of the currencies involved in the hedging activities were to move dramatically, such movement could have a significant impact on our results of operations. We are not aware of any reasonably likely events or circumstances, which would result in different amounts being reported that would materially affect its financial condition or results of operations.

Hedge accounting requires that at the beginning of each hedge period, we justify an expectation that the hedge will be highly effective. This effectiveness assessment involves an estimation of the probability of the occurrence of transactions for cash flow hedges. The use of different assumptions and changing market conditions may impact the results of the effectiveness assessment and ultimately the timing of when changes in derivative fair values and underlying hedged items are recorded in earnings.

We hedge our net investment position in Euro functional subsidiaries by borrowing directly in foreign currency and designating a portion of foreign currency debt as a hedge of net investments. Under SFAS No. 133, changes in the fair value of these instruments are immediately recognized in foreign currency translation, a component of Accumulated Other Comprehensive Income (Loss), to offset the change in the value of the net investment being hedged.

Occasionally, we purchase short-term foreign currency contracts and options outside of the cash flow hedging program to neutralize quarter-end balance sheet and other expected exposures. These derivative instruments do not qualify as cash flow hedges under SFAS No. 133 and are recorded at fair value with all gains or losses, which have not been significant, recognized in current period earnings immediately.

Inflation

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

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and for interim periods beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on our results of operations and financial position.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," to require more consistent reporting of contracts as either derivatives or hybrid instruments. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. We adopted SFAS No. 149 on June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on our results of operations and financial position.

In December 2003, the FASB issued a revised version of FIN 46, which addresses consolidation by business enterprises of certain variable interest entities, commonly referred to as special purpose entities. The third party lessor in our synthetic lease agreement does not meet the definition of a variable interest entity under FIN 46, and therefore consolidation by the Company is not required (see "Off-Balance Sheet Arrangements" above).

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair market value of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The initial recognition and measurement provisions of FIN 45 apply on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not have a material impact on our financial statements.

STATEMENT REGARDING FORWARD-LOOKING DISCLOSURE

Statements contained herein and in future filings by the Company with the Securities and Exchange Commission (the "SEC"), in the Company's press releases, and in oral statements made by, or with the approval of, authorized personnel that relate to the Company's future performance, including, without limitation, statements with respect to the Company's anticipated results of operations or level of business for fiscal 2004, any fiscal quarter of 2004 or any other future period, including those herein under the heading "Forward Outlook" or otherwise, are forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such

statements, which are indicated by words or phrases such as "intend," "anticipate," "plan," "estimate," "project," "management expects," "the Company believes," "we are optimistic that we can," "current visibility indicates that we forecast" or "currently envisions" and similar phrases are based on current expectations only, and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Included among the factors that could cause actual results to materially differ are risks with respect to the following:

Risks Associated with Competition and the Marketplace

The apparel and related product markets are highly competitive, both within the United States and abroad. The Company's ability to compete successfully within the marketplace depends on a variety of factors, including:

- The current challenging retail and macroeconomic environment, including the levels of consumer confidence and discretionary spending, and levels of customer traffic within department stores, malls and other shopping and selling environments, and a continuation of the deflationary trend for apparel products;
- The Company's ability to effectively anticipate, gauge and respond to changing consumer demands and tastes, across multiple product lines, shopping channels and geographies;
- The Company's ability to translate market trends into appropriate, saleable product offerings relatively far in advance, while minimizing excess inventory positions, including the Company's ability to correctly balance the level of its fabric and/or merchandise commitments with actual customer orders;
- Consumer and customer demand for, and acceptance and support of, Company products (especially by the Company's largest customers) which are in turn dependent, among other things, on product design, quality, value and service;
- The ability of the Company, especially through its sourcing, logistics and technology functions, to operate within substantial production and delivery constraints, including risks associated with the possible failure of the Company's unaffiliated manufacturers to manufacture and deliver products in a timely manner, to meet quality standards or to comply with the Company's policies regarding labor practices or applicable laws or regulations;
- The financial condition of, and consolidations, restructurings and other ownership changes in, the apparel (and related products) industry and the retail industry;
- Risks associated with the Company's dependence on sales to a limited number of large department store customers, including risks related to customer requirements for vendor margin support, and those related to extending credit to customers, risks relating to retailers' buying patterns and purchase commitments for apparel products in general and the Company's products specifically;
- The Company's ability to respond to the strategic and operational initiatives of its largest customers, as well as to the introduction of new products or pricing changes by its competitors; and
- The Company's ability to obtain sufficient retail floor space and to effectively present products at retail.

Economic, Social and Political Factors

Also impacting the Company and its operations are a variety of economic, social and political factors, including the following:

- Risks associated with war, the threat of war, and terrorist activities, including reduced shopping activity as a result of public safety concerns and disruption in the receipt and delivery of merchandise;
- Changes in national and global microeconomic and macroeconomic conditions in the markets where the Company sells or sources its products, including the levels of consumer confidence and discretionary spending, consumer income growth, personal debt levels, rising energy costs and energy shortages, and fluctuations in foreign currency exchange rates, interest rates and stock market volatility, and currency devaluations in countries in which we source product;
- Changes in social, political, legal and other conditions affecting foreign operations;
- Risks of increased sourcing costs, including costs for materials and labor;
- Any significant disruption in the Company's relationships with its suppliers, manufacturers and employees, including its union employees;
- Work stoppages by any Company suppliers or service providers or by the Company's union employees;
- The impact of the anticipated elimination of quota for apparel products in 2005;
- The enactment of new legislation or the administration of current international trade regulations, or executive action affecting international textile agreements, including the United States' reevaluation of the trading status of certain countries, and/or retaliatory duties, quotas or other trade sanctions, which, if enacted, would increase the cost of products purchased from suppliers in such countries, and the January 1, 2005 elimination of quota, which may significantly impact sourcing patterns; and
- Risks related to the Company's ability to establish, defend and protect its trademarks and other proprietary rights and other risks relating to managing intellectual property issues.

Risks Associated with Acquisitions and the Entry into New Markets

The Company, as part of its growth strategy, reviews from time to time its possible entry into new markets, either through acquisitions, internal development activities, or licensing. The entry into new markets (including the development and launch of new product categories and product lines), is accompanied by a variety of risks inherent in any such new business venture, including the following:

- Risks that the new market activities may require methods of operations and marketing and financial strategies different from those employed in the Company's other businesses;
- Certain new businesses may be lower margin businesses and may require the Company to achieve significant cost efficiencies. In addition, new markets, product categories, product lines and businesses may involve buyers, store customers and/or competitors different from the Company's historical buyers, customers and competitors;
- Possible difficulties, delays and/or unanticipated costs in integrating the business, operations, personnel, and/or systems of an acquired business;
- Risks that projected or satisfactory level of sales, profits and/or return on investment for an acquired business will not be generated;
- Risks involving the Company's ability to retain and appropriately motivate key personnel of the acquired business;
- Risks that expenditures required for capital items or working capital will be higher than anticipated;
- Risks associated with unanticipated events and unknown or uncertain liabilities;
- Uncertainties relating to the Company's ability to successfully integrate an acquisition, maintain product licenses, or successfully launch new products and lines; and
- With respect to businesses where the Company acts as licensee, the risks inherent in such transactions, including compliance with terms set forth in the applicable license agreements, including among other things the maintenance of certain levels of sales, and the public perception and/or acceptance of the licensor's brands or other product lines, which are not within the Company's control.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have exposure to interest rate volatility primarily relating to interest rate changes applicable to our revolving credit facility and other credit facilities. These loans bear interest at rates which vary with changes in prevailing market rates.

We do not speculate on the future direction of interest rates. As of January 3, 2004 and December 28, 2002 our exposure to changing market rates was as follows:

Dollars in millions	January 3, 2004	December 28, 2002
Variable rate debt	$18.9	$34.6
Average interest rate	2.8%	3.8%

A ten percent change in the average rate would have resulted in a $0.5 million change in interest expense during 2003.

We finance our capital needs through available cash and marketable securities, operating cash flows, letters of credit, synthetic lease and bank revolving credit facilities, other credit facilities and commercial paper issuances. Our floating rate bank revolving credit facility, bank lines and commercial paper program expose us to market risk for changes in interest rates. As of January 3, 2004, we have not employed interest rate hedging to mitigate such risks with respect to our floating rate facilities. We believe that our Eurobond offering, which is a fixed rate obligation, partially mitigates the risks with respect to our variable rate financing.

The acquisition of MEXX, which transacts business in multiple currencies, has increased our exposure to exchange rate fluctuations. We mitigate the risks associated with changes in foreign currency rates through foreign exchange forward contracts and collars to hedge transactions denominated in foreign currencies for periods of generally less than one year and to hedge expected payment of intercompany transactions with our non-U.S. subsidiaries, which now include MEXX. Gains and losses on contracts, which hedge specific foreign currency denominated commitments, are recognized in the period in which the transaction is completed.

At January 3, 2004 and December 28, 2002, we had outstanding foreign currency collars with net notional amounts aggregating to $42 million and $80 million, respectively. We had forward contracts aggregating to $76 million at January 3, 2004 and $61 million at December 28, 2002. Unrealized losses for outstanding foreign currency options and foreign exchange forward contracts were approximately $11.8 million at January 3, 2004 and $5.2 million at December 28, 2002. A sensitivity analysis to changes in the foreign currencies when measured against the U.S. dollar indicates if the U.S. dollar uniformly weakened by 10% against all of the hedged currency exposures, the fair value of instruments would decrease by $9.9 million. Conversely, if the U.S. dollar uniformly strengthened by 10% against all of the hedged currency exposures, the fair value of these instruments would increase by $9.8 million. Any resulting changes in the fair value would be offset by changes in the underlying balance sheet positions. The sensitivity analysis assumes a parallel shift in foreign currency exchange rates. The assumption that exchange rates change in a parallel fashion may overstate the impact of changing exchange rates on assets and liabilities denominated in foreign currency. We do not hedge all transactions denominated in foreign currency.

The table below presents the amount of contracts outstanding, the contract rate and unrealized gain or (loss), as of January 3, 2004:

Currency in thousands	U.S. Dollar Amount	Contract Rate	Unrealized Gain (Loss)
Forward Contracts:			
Euros	$64,000	1.0670 to 1.1450	$ (6,715)
Canadian Dollars	12,066	0.7254 to 0.7622	(298)
Foreign Exchange Collar Contracts:			
Euros	$42,000	1.0500 to 1.1400	$ (4,793)

The table below presents the amount of contracts outstanding, the contract rate and unrealized gain or (loss), as of December 28, 2002:

Currency in thousands	U.S. Dollar Amount	Contract Rate	Unrealized Gain (Loss)
Forward Contracts:			
Euros	$61,000	0.9360 to 0.9800	$ (5,304)
Average Rate Collar Contracts:			
Euros	$80,000	0.9800 to 1.1000	$ 88

Item 8. Financial Statements and Supplementary Data.

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

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, have evaluated our disclosure controls and procedures as of January 3, 2004, and have concluded that our disclosure controls and procedures are effective in ensuring that all material information required to be filed in this annual report has been made known to them in a timely fashion. There was no change in our internal control over financial reporting during the fourth quarter of fiscal 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant.

With respect to our Executive Officers, see Part I of this Annual Report on Form 10−K.

Information regarding Section 16 (a) compliance, the Audit Committee (including membership and Audit Committee Financial Experts but excluding the "Audit Committee Report"), our code of ethics and background of our Directors appearing under the captions "Section 16 (a) Beneficial Ownership Reporting Compliance", "Corporate Governance", "Additional Information−Company Code of Ethics and Business Practices" and "Election of Directors" in our Proxy Statement for the 2004 Annual Meeting of Shareholders (the "2004 Proxy Statement") is hereby incorporated by reference.

Item 11. Executive Compensation.

Information called for by this Item 11 is incorporated by reference to the information set forth under the heading "Executive Compensation" (other than the Board Compensation Committee Report on Executive Compensation) in the 2004 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

EQUITY COMPENSATION

The following table summarizes information about The Liz Claiborne, Inc. Outside Directors' 1991 Stock Ownership Plan (the "Outside Directors' Plan"); The Liz Claiborne, Inc. 1992 Stock Incentive Plan; The Liz Claiborne, Inc. 2000 Stock Incentive Plan (the "2000 Plan"); and The Liz Claiborne, Inc. 2002 Stock Incentive Plan (the "2002 Plan"), which together comprise all of our existing equity compensation plans, as of January 3, 2004. Our stockholders have approved all of these plans.

	(a)	(b)	(c)
Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Stockholders.....	9,633,273 (1)(2)	$25.55 (3)	9,195,904 (4)
Equity Compensation Plans Not Approved by Stockholders.....	0	N/A	0
TOTAL.....	9,633,273 (1)(2)	$25.55 (3)	9,195,904 (4)

(1) Includes 44,603 shares of Common Stock issuable under the Outside Directors' Plan pursuant to participants' elections thereunder to defer certain director compensation. These shares are not included in calculating the Weighted Average Exercise Price in Column (b).

(2) Includes 405,288 shares (the "Performance Shares") which may be issued to Paul R. Charron upon satisfaction of certain performance criteria as set forth in Mr. Charron's Amended and Restated Employment Agreement, dated November 3, 2003 and Performance Share Agreement, dated November 3, 2003, each of which were filed as exhibits to our November 5, 2003 Current Report on Form 8-K filing with the Securities and Exchange Commission. The actual number of Performance Shares which will be issued to Mr. Charron depend on the extent of the achievement of the performance criteria. Performance Shares are not included in calculating the Weighted Average Exercise Price in Column (b.

(3) Performance Shares and shares issuable under the Outside Directors' Plan were not included in calculating the Weighted Average Exercise Price.

(4) In addition to options, warrants and rights, the 2000 Plan and the 2002 Plan authorize the issuance of restricted stock, unrestricted stock and performance stock. Each of the 2000 and the 2002 Plans contains a sub-limit on the aggregate number of shares of restricted Common Stock which may be issued; the sub-limits are set at 1,000,000 shares under the 2000 Plan and 1,800,000 shares under the 2002 Plan.

Security ownership information of certain beneficial owners and management as called for by this Item 12 is incorporated by reference to the information set forth under the headings "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" in the 2004 Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

Information called for by this Item 13 is incorporated by reference to the information set forth under the headings "Election of Directors" and "Executive Compensation—Employment Arrangements" in the 2004 Proxy Statement.

Item 14. Principal Accountant Fees and Services.

Information called for by this Item 14 is incorporated by reference to the information set forth under the heading "Ratification of the Appointment of the Independent Auditors" in the 2004 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

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

3. Exhibits.

Exhibit No.	Description
2(a)	– Share Purchase Agreement, dated as of May 15, 2001, among Liz Claiborne, Inc., Liz Claiborne 2 B.V., LCI Acquisition U.S., and the other parties signatory thereto (incorporated herein by reference from Exhibit 2.1 to Registrant's Form 8–K dated May 23, 2001 and amended on July 20, 2001).
3(a)	– Restated Certificate of Incorporation of Registrant (incorporated herein by reference from Exhibit 3(a) to Registrant's Quarterly Report on Form 10–Q for the period ended June 26, 1993).
3(b)	– By–laws of Registrant, as amended (incorporated herein by reference from Exhibit 3(b) to the Registrant's Annual Report on Form 10–K for the fiscal year ended December 26, 1992 [the "1992 Annual Report"]).
4(a)	– Specimen certificate for Registrant's Common Stock, par value $1.00 per share (incorporated herein by reference from Exhibit 4(a) to the 1992 Annual Report).
4(b)	– Rights Agreement, dated as of December 4, 1998, between Registrant and First Chicago Trust Company of New York (incorporated herein by reference from Exhibit 1 to Registrant's Form 8–A dated as of December 4, 1998).
4(b)(i)	– Amendment to the Rights Agreement, dated November 11, 2001, between Registrant and The Bank of New York, appointing The Bank of New York as Rights Agent (incorporated herein by reference from Exhibit 1 to Registrant's Form 8–A12B/A dated as of January 30, 2002).
4(c)	– Agency Agreement between Liz Claiborne, Inc., Citibank, N.A. and Dexia Banque Internationale A. Luxembourg (incorporated herein by reference from Exhibit 10 to Registrant's Form 10–Q for the period ended June 30, 2001).
10(a)	– Reference is made to Exhibit 4(b) filed hereunder, which is incorporated herein by this reference.
10(b)	– Lease, dated as of January 1, 1990 (the "1441 Lease"), for premises located at 1441 Broadway, New York, New York between Registrant and Lechar Realty Corp. (incorporated herein by reference from Exhibit 10(n) to Registrant's Annual Report on Form 10–K for the fiscal year ended December 29, 1990).
10(b)(i)	– First Amendment: Lease Extension and Modification Agreement, dated as of January 1, 1998, to the 1441 Lease (incorporated herein by reference from Exhibit 10(k) (i) to the 1999 Annual Report).
10(b)(ii)	– Second Amendment to Lease, dated as of September 19, 1998, to the 1441 Lease (incorporated herein by reference from Exhibit 10(k) (i) to the 1999 Annual Report).
10(b)(iii)	– Third Amendment to Lease, dated as of September 24, 1999, to the 1441 Lease (incorporated herein by reference from Exhibit 10(k) (i) to the 1999 Annual Report).
10(b)(iv)	– Fourth Amendment to Lease, effective as of July 1, 2000, to the 1441 Lease (incorporated herein by reference from Exhibit 10(j)(iv) to the 2002 Annual Report).

Exhibit No.	Description
10(b)(v)*	– Fifth Amendment to Lease.
10(c)+*	– National Collective Bargaining Agreement, made and entered into as of June 1, 2003, by and between Liz Claiborne, Inc. and the Union of Needletrades, Industrial and Textile Employees (UNITE) for the period June 1, 2003 through May 31, 2006.
10(d)+*	– Description of Liz Claiborne, Inc. 2003 Salaried Employee Incentive Bonus Plan.
10(e)+	– The Liz Claiborne 401(k) Savings and Profit Sharing Plan, as amended and restated (incorporated herein by reference from Exhibit 10(g) to Registrant's Annual Report on Form 10–K for the fiscal year ended December 28, 2002).
10(e)(i)+*	– First Amendment to the Liz Claiborne 401(k) Savings and Profit Sharing Plan.
10(e)(ii)+*	– Second Amendment to the Liz Claiborne 401(k) Savings and Profit Sharing Plan.
10(e)(iii)+*	– Third Amendment to the Liz Claiborne 401(k) Savings and Profit Sharing Plan.
10(e)(iv)+*	– Trust Agreement dated as of October 1, 2003 between Liz Claiborne, Inc. and Fidelity Management Trust Company.
10(f)+	– Liz Claiborne, Inc. Amended and Restated Outside Directors' 1991 Stock Ownership Plan (the "Outside Directors' 1991 Plan") (incorporated herein by reference from Exhibit 10(m) to Registrant's Annual Report on Form 10–K for the fiscal year ended December 30, 1995 [the "1995 Annual Report"]).
10(f)(i)+*	– Amendment to the Outside Directors' 1991 Plan, effective as of December 18, 2003.
10(f)(ii)+	– Form of Option Agreement under the Outside Directors' 1991 Plan (incorporated herein by reference from Exhibit 10(m)(i) to the 1996 Annual Report).
10(g)+	– Liz Claiborne, Inc. 1992 Stock Incentive Plan (the "1992 Plan") (incorporated herein by reference from Exhibit 10(p) to Registrant's Annual Report on Form 10–K for the fiscal year ended December 28, 1991.
10(g)(i)+	– Form of Restricted Career Share Agreement under the 1992 Plan (incorporated herein by reference from Exhibit 10(a) to Registrant's Quarterly Report on Form 10–Q for the period ended September 30, 1995).
10(g)(ii)+	– Form of Restricted Transformation Share Agreement under the 1992 Plan (incorporated herein by reference from Exhibit 10(s) to the 1997 Annual Report).
10(h)+	– Liz Claiborne, Inc. 2000 Stock Incentive Plan (the "2000 Plan") (incorporated herein by reference from Exhibit 4(e) to Registrant's Form S–8 dated as of January 25, 2001).
10(h)(i)+*	– Amendment 1 to the 2000 Plan.
10(h)(ii)+	– Form of Option Grant Certificate under the 2000 Plan (incorporated herein by reference from Exhibit 10(z)(i) to the 2000 Annual Report).

\+ Compensation plan or arrangement required to be noted as provided in Item 14(a)(3).
* Filed herewith.

Exhibit No.	Description
10(h)(iii)+	– Form of Executive Team Leadership Restricted Share Agreement under the Liz Claiborne, Inc. 2000 Stock Incentive Plan (the "2000 Plan")(incorporated herein by reference from Exhibit 10(a) to Registrant's Form 10–Q for the period ended September 29, 2001 [the "3rd Quarter 2001 10–Q"]).
10(h)(iv)+	– Form of Restricted Key Associates Performance Shares Agreement under the 2000 Plan (incorporated herein by reference from Exhibit 10(b) to the 3rd Quarter 2001 10–Q).
10(i)+	– Liz Claiborne, Inc. 2002 Stock Incentive Plan (the "2002 Plan") (incorporated herein by reference from Exhibit 10(y)(i) to Registrant's Form 10–Q for the period ended June 29, 2002 [the "2nd Quarter 2002 10–Q"]).
10(i)(i)+	– Amendment No. 1 to the 2002 Plan (incorporated herein by reference from Exhibit 10(y)(iii) to the 2nd Quarter 2002 10–Q).
10(i)(ii)+*	– Amendment 2 to the 2002 Plan.
10(i)(iii)+*	– Amendment 3 to the 2002 Plan.
10(i)(iv)+	– Form of Option Grant Certificate under the 2002 Plan (incorporated herein by reference from Exhibit 10(y)(ii) to the 2nd Quarter 2002 10–Q).
10(i)(v)+*	– Form of Restricted Share Agreement for "Growth" Shares program under the 2002 Plan.
10(j)+	– Description of Supplemental Life Insurance Plans (incorporated herein by reference from Exhibit 10(q) to the 2000 Annual Report).
10(k)+	– Amended and Restated Liz Claiborne ss.162(m) Cash Bonus Plan (incorporated herein by reference from Exhibit 10.1 to Registrant's Form 10Q filed August 15, 2003).
10(l)+	– Liz Claiborne, Inc. Supplemental Executive Retirement Plan effective as of January 1, 2002, constituting an amendment, restatement and consolidation of the Liz Claiborne, Inc. Supplemental Executive Retirement Plan and the Liz Claiborne, Inc. Bonus Deferral Plan.
10(l)(i)+	– Trust Agreement dated as of January 1, 2002, between Liz Claiborne, Inc. and Wilmington Trust Company (incorporated herein by reference from Exhibit 10(t)(i) to the 2002 Annual Report).
10(m)+	– Employment Agreement dated as of November 3, 2003, between Registrant and Paul R. Charron (the "Charron Agreement") (incorporated herein by reference from Exhibit 10.1 to Registrant's Current Report on Form 8–K dated November 5, 2003 [the "November 5, 2003 Form 8–K"]).
10(m)(i)+	– The Liz Claiborne Retirement Income Accumulation Plan for the benefit of Mr. Charron [the "Accumulation Plan"]), dated as of September 19, 1996 (incorporated herein by reference from Exhibit 10(y)(ii) to the 1996 Annual Report).

\+ Compensation plan or arrangement required to be noted as provided in Item 14(a)(3).
* Filed herewith.

Exhibit No.	Description
10(m)(ii)+	– Amendment to the Accumulation Plan, dated January 3, 2002 (incorporated herein by reference from Exhibit 10(u)(iii) to the 2002 Annual Report).
10(m)(iii)+	– Amendment No. 2 to the Accumulation Plan, effective as of November 3, 2003 (incorporated herein by reference from Exhibit 10.2 to the November 5, 2003 Form 8–K).
10(m)(iv)+	– Change of Control Agreement, between Registrant and Paul R. Charron (incorporated herein by reference from Exhibit (v)(iii) to the 2000 Annual Report).
10(m)(v)+	– First Amendment to the Executive Termination Benefits Agreement (Change of Control Agreement) between Registrant and Paul R. Charron, effective as of November 3, 2003 (incorporated herein by reference from Exhibit 10.3 to the November 5, 2003 Form 8–K).
10(m)(vi)+	– Stock Option Certificate, dated November 3, 2003 issued to Paul R. Charron under Registrant's 2002 Stock Incentive Plan (incorporated herein by reference from Exhibit 10.4 to the November 5, 2003 Form 8–K).
10(m)(vii)+	– Restricted Share Agreement under the 2000 Plan, dated as of November 3, 2003, between Registrant and Paul R. Charron (incorporated herein by reference from Exhibit 10.4 to the November 5, 2003 Form 8–K).
10(m)(viii)+	– Performance Share Agreement under the 2002 Plan, dated as of November 3, 2003, between Registrant and Paul R. Charron (incorporated herein by reference from Exhibit 10.6 to the November 5, 2003 Form 8–K).
10(n)+	– Change of Control Agreement, between Registrant and Angela J. Ahrendts.
10(o)+	– Change of Control Agreement, between Registrant and Trudy F. Sullivan.
10(p)	– Three Year Revolving Credit Agreement, dated as of October 21, 2002, among Registrant, various lending parties and JPMorgan Chase Bank (as administrative agent) (incorporated herein by reference from Exhibit 10(z)(i) to Registrant's October 21, 2002 Quarterly Report on Form 10–Q for the period ended September 28, 2002 [the "3rd Quarter 2002 10–Q"]).

\+ Compensation plan or arrangement required to be noted as provided in Item 14(a)(3).
* Filed herewith.

Exhibit No.	Description
10(q)*	− 364−Day Revolving Credit Agreement, dated as of October 17, 2003, among Registrant, various lending parties and JPMorgan Chase Bank (as administrative agent).
21*	− List of Registrant's Subsidiaries.
23*	− Consent of Independent Public Accountants.
31(a)*	− Rule 13a−14(a) Certification of Chief Executive Officer of the Company in accordance with Section 302 of the Sarbanes−Oxley Act of 2002.
31(b)*	− Rule 13a−14(a) Certification of Chief Financial Officer of the Company in accordance with Section 302 of the Sarbanes−Oxley Act of 2002.
32(a)*#	− Certification of Chief Executive Officer of the Company in accordance with Section 906 of the Sarbanes−Oxley Act of 2002.
32(b)*#	− Certification of Chief Financial Officer of the Company in accordance with Section 906 of the Sarbanes−Oxley Act of 2002.
99*	− Undertakings.

(b) − Reports on Form 8−K.

(i) On October 30, 2003, the Company filed a current report on Form 8−K pursuant to Item 5 thereof, relating to the results of operations for the three and nine−month periods ended October 4, 2003.

(ii) On November 5, 2003, the Company filed a current report on Form 8−K pursuant to Item 5 thereof, relating to the Employment Agreement entered into on November 3, 2003 with Paul R. Charron, as Chairman and Chief Executive Officer of the Company.

(iii) On November 12, 2003, the Company filed a current report on Form 8−K pursuant to Item 5 thereof, relating to the agreement to purchase Enyce Holdings LLC.

\+ Compensation plan or arrangement required to be noted as provided in Item 14(a)(3).
* Filed herewith.
\# A signed original of this written statement required by Section 906 has been provided by the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on March 11, 2004.

LIZ CLAIBORNE, INC.	LIZ CLAIBORNE, INC.
/s/ Michael Scarpa	/s/ Elaine H. Goodell
By: Michael Scarpa, Senior Vice President and Chief Financial Officer (principal financial officer)	By: Elaine H. Goodell, Vice President-Corporate Controller and Chief Accounting Officer (principal accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities indicated, on March 11, 2004.

Signature	Title
/s/ Paul R. Charron Paul R. Charron	Chairman of the Board, Chief Executive Officer and Director (principal executive officer)
/s/ Bernard W. Aronson Bernard W. Aronson	Director
/s/ Raul J. Fernandez Raul J. Fernandez	Director
/s/ Nancy J. Karch Nancy J. Karch	Director
/s/ Kenneth P. Kopelman Kenneth P. Kopelman	Director
/s/ Kay Koplovitz Kay Koplovitz	Director
/s/ Arthur C. Martinez Arthur C. Martinez	Director
/s/ Oliver R. Sockwell Oliver R. Sockwell	Director
/s/ Howard Socol Howard Socol	Director
/s/ Paul E. Tierney, Jr. Paul E. Tierney, Jr.	Director

LIZ CLAIBORNE, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

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

MANAGEMENT'S REPORT

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

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

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

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

/s/ Paul R. Charron	/s/ Michael Scarpa
Paul R. Charron Chairman of the Board and Chief Executive Officer	Michael Scarpa Senior Vice President and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Liz Claiborne, Inc. and subsidiaries (the "Company") as of January 3, 2004 and December 28, 2002 and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. Our audits also included the financial statement schedule for the years ended January 3, 2004 and December 28, 2002, listed in the Index at Item 15(a)2. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The Company's financial statements for the year ended December 29, 2001 and the financial statement schedule as of and for the year then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements and stated that such 2001 financial statement schedule, when considered in relation to the 2001 basic financial statements taken as a whole, presented fairly, in all material respects, the information set forth therein, in their report dated February 19, 2002.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of January 3, 2004 and December 28, 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, such financial statement schedule for the years ended January 3, 2004 and December 28, 2002, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Notes 1 and 7 to the consolidated financial statements, in 2002 the Company changed its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standards No. 142.

/s/ Deloitte & Touche LLP
New York, New York
February 26, 2004

Reports of Independent Public Accountants

The following report is a copy of a previously issued Report of Independent Public Accountants. This report relates to prior years financial statements. This report has not been reissued by Arthur Andersen LLP.

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

We have audited the accompanying consolidated balance sheets of Liz Claiborne, Inc. (a Delaware corporation) and subsidiaries as of December 29, 2001 and December 30, 2000, and the related consolidated statements of income, retained earnings, comprehensive income and changes in capital accounts and cash flows for each of the three fiscal years in the period ended December 29, 2001. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Liz Claiborne, Inc. and subsidiaries as of December 29, 2001 and December 30, 2000, and the results its operations and its cash flows for each of the three fiscal years ended December 29, 2001 in conformity with accounting principles generally accepted in the United States.

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

/s/ Arthur Andersen LLP
New York, New York
February 19, 2002

CONSOLIDATED BALANCE SHEETS
Liz Claiborne, Inc. and Subsidiaries

All amounts in thousands except share data	January 3, 2004	December 28, 2002
Assets		
Current Assets:		
Cash and cash equivalents	$ 293,503	$ 211,563
Marketable securities	50,414	36,808
Accounts receivable – trade, net	390,802	370,468
Inventories, net	485,182	461,154
Deferred income taxes	45,756	45,877
Other current assets	82,744	49,340
Total current assets	1,348,401	1,175,210
Property and Equipment – Net	410,741	378,303
Goodwill – Net	596,436	478,869
Intangibles – Net	244,168	226,577
Other Assets	7,253	9,398
	$ 2,606,999	$ 2,268,357
Liabilities and Stockholders' Equity		
Current Liabilities:		
Short term borrowings	$ 18,915	$ 21,989
Accounts payable	227,125	225,032
Accrued expenses	251,286	283,458
Income taxes payable	29,316	26,241
Total current liabilities	526,642	556,720
Long–Term Debt	440,303	377,725
Other Non–Current Liabilities	8,374	6,412
Deferred Income Taxes	43,861	33,709
Commitments and Contingencies (Note 10)		
Minority Interest	9,848	7,430
Stockholders' Equity:		
Preferred stock, $.01 par value, authorized shares – 50,000,000, issued shares – none	––	––
Common stock, $1 par value, authorized shares – 250,000,000, issued shares – 176,437,234	176,437	176,437
Capital in excess of par value	124,823	95,708
Retained earnings	2,539,742	2,283,692
Unearned compensation expense	(21,593)	(10,185)
Accumulated other comprehensive loss	(50,207)	(28,317)
	2,769,202	2,517,335
Common stock in treasury, at cost – 66,865,854 shares in 2003 and 69,401,831 shares in 2002	(1,191,231)	(1,230,974)
Total stockholders' equity	1,577,971	1,286,361
Total Liabilities and Stockholders' Equity	$ 2,606,999	$ 2,268,357

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

CONSOLIDATED STATEMENTS OF INCOME
Liz Claiborne, Inc. and Subsidiaries

All dollar amounts in thousands except per common share data	Fiscal Years Ended January 3, 2004	December 28, 2002	December 29, 2001
Net Sales	$ 4,241,115	$ 3,717,503	$ 3,448,522
Cost of goods sold	2,351,324	2,097,868	2,021,272
Gross Profit	1,889,791	1,619,635	1,427,250
Selling, general &administrative expenses	1,419,673	1,222,617	1,080,483
Restructuring gain (charge)	672	(7,130)	(15,050)
Operating Income	470,790	389,888	331,717
Other expense – net	(1,890)	(2,318)	(3,511)
Interest expense – net	(30,509)	(25,124)	(28,117)
Income Before Provision for Income Taxes	438,391	362,446	300,089
Provision for income taxes	158,698	131,281	108,032
Net Income	$ 279,693	$ 231,165	$ 192,057
Net Income per Common Share:			
Basic	$ 2.60	$ 2.19	$ 1.85
Diluted	$ 2.55	$ 2.16	$ 1.83
Dividends Paid per Common Share	$ .23	$ .23	$ .23

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS, COMPREHENSIVE INCOME AND CHANGES IN CAPITAL ACCOUNTS
Liz Claiborne, Inc. and Subsidiaries

All dollar amounts in thousands	COMMON STOCK Number of Shares	COMMON STOCK Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned Compensation	TREASURY SHARES Number of Shares	TREASURY SHARES Amount	Total
BALANCE, DECEMBER 30, 2000	176,437,234	$176,437	$83,808	$1,904,508	$ (7,656)	(7,635)	74,018,800	$(1,315,177)	$ 834,285
Net income	--	--	--	192,057	--	--	--	--	192,057
Other comprehensive income (loss), net of tax:									
Translation adjustment	--	--	--	--	4,928	--	--	--	4,928
Gains (losses) on cash flow hedging derivatives	--	--	--	--	(250)	--	--	--	(250)
Adjustment to unrealized (losses) on available-for-sale securities	--	--	--	--	(2,368)	--	--	--	(2,368)
Total comprehensive income									194,367
Exercise of stock options and related tax benefits	--	--	5,458	--	--	--	(2,363,076)	38,561	44,019
Cash dividends declared	--	--	--	(23,317)	--	--	--	--	(23,317)
Purchase of common stock	--	--	--	--	--	--	155,000	(2,854)	(2,854)
Issuance of common stock under restricted stock and employment agreements, net	--	--	--	4,489	--	(9,069)	(598,414)	14,241	9,661
BALANCE, DECEMBER 29, 2001	176,437,234	$176,437	$89,266	$2,077,737	$ (5,346)	$(16,704)	71,212,310	$(1,265,229)	$1,056,161
Net income	--	--	--	231,165	--	--	--	--	231,165
Other comprehensive income (loss), net of tax:									
Translation adjustment	--	--	--	--	(19,496)	--	--	--	(19,496)
Gains (losses) on cash flow hedging derivatives	--	--	--	--	(5,859)	--	--	--	(5,859)
Adjustment to unrealized (losses) on available-for-sale securities	--	--	--	--	2,384	--	--	--	2,384
Total comprehensive income									208,194
Exercise of stock options and related tax benefits	--	--	6,258	(1,211)	--	--	(1,784,524)	33,781	38,828
Cash dividends declared	--	--	--	(23,802)	--	--	--	--	(23,802)
Issuance of common stock under restricted stock and employment agreements, net	--	--	184	(197)	--	6,519	(25,955)	474	6,980
BALANCE, DECEMBER 28, 2002	176,437,234	$176,437	$95,708	$2,283,692	$(28,317)	$(10,185)	69,401,831	$(1,230,974)	$1,286,361

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS, COMPREHENSIVE INCOME AND CHANGES IN CAPITAL ACCOUNTS (continued)
Liz Claiborne, Inc. and Subsidiaries

All dollar amounts in thousands	COMMON STOCK Number of Shares	COMMON STOCK Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned Compensation	TREASURY SHARES Number of Shares	TREASURY SHARES Amount	Total
BALANCE, DECEMBER 28, 2002	176,437,234	$176,437	$ 95,708	$2,283,692	$(28,317)	$(10,185)	69,401,831	$(1,230,974)	$1,286,361
Net income	--	--	--	279,693	--	--	--	--	279,693
Other comprehensive income (loss), net of tax:									
Translation adjustment	--	--	--	--	(26,548)	--	--	--	(26,548)
Gains (losses) on cash flow hedging derivatives	--	--	--	--	(3,962)	--	--	--	(3,962)
Adjustment to unrealized gains on available-for-sale securities	--	--	--	--	8,620	--	--	--	8,620
Total comprehensive income									257,803
Exercise of stock options and related tax benefits	--	--	21,641	--	--	--	(2,283,668)	36,993	58,634
Cash dividends declared	--	--	--	(23,643)	--	--	--	--	(23,643)
Issuance of common stock under restricted stock and employment agreements, net	--	--	7,474	--	--	(11,408)	(252,309)	2,750	(1,184)
BALANCE, JANUARY 3, 2004	176,437,234	$176,437	$124,823	$2,539,742	$(50,207)	$(21,593)	66,865,854	$(1,191,231)	$1,577,971

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Liz Claiborne, Inc. and Subsidiaries

All dollar amounts in thousands	Fiscal Years Ended January 3, 2004	December 28, 2002	December 29, 2001
Cash Flows from Operating Activities:			
Net income	$ 279,693	$ 231,165	$ 192,057
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	104,981	96,395	101,491
Deferred income taxes	5,847	(9,209)	11,925
Non cash portion of restructuring charge	--	3,266	15,050
Other - net	22,447	14,210	13,442
Changes in current assets and liabilities, exclusive of acquisitions:			
Decrease (increase) in accounts receivable - trade, net	10,971	(1,126)	(44,957)
(Increase) decrease in inventories	(6,444)	49,120	37,535
(Increase) decrease in other current assets	(28,259)	(10,636)	10,813
(Decrease) increase in accounts payable	(3,061)	(17,355)	13,249
Increase (decrease) in accrued expenses	2,822	24,976	(23,335)
Increase in income taxes payable	3,075	13,066	1,943
Net cash provided by operating activities	392,072	393,872	329,213
Cash Flows from Investing Activities:			
Purchases of investment instruments	(96)	(90)	(83)
Purchases of property and equipment	(96,675)	(80,020)	(82,236)
Payments for acquisitions, net of cash acquired	(222,335)	(206,264)	(274,142)
Payments for in-store merchandise shops	(10,538)	(8,851)	(24,718)
Other - net	(7,658)	(11,573)	(3,496)
Net cash used in investing activities	(337,302)	(306,798)	(384,675)
Cash Flows from Financing Activities:			
Short term borrowings	(3,074)	17,199	--
Proceeds from Eurobond issue	--	--	309,619
Revolving credit facility - net	(12,564)	(65,162)	(191,492)
Proceeds from exercise of common stock options	46,250	32,570	39,193
Dividends paid	(23,643)	(23,802)	(23,317)
Purchase of common stock, net of put warrant premiums	--	--	(2,854)
Net cash provided by (used in) financing activities	6,969	(39,195)	131,149
Effect of Exchange Rate Changes on Cash	20,201	36,049	4,928
Net Change in Cash and Cash Equivalents	81,940	83,928	80,615
Cash and Cash Equivalents at Beginning of Year	211,563	127,635	47,020
Cash and Cash Equivalents at End of Year	$ 293,503	$ 211,563	$ 127,635

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Liz Claiborne, Inc. and Subsidiaries

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

FISCAL YEAR
The Company's fiscal year ends on the Saturday closest to December 31. The 2003 fiscal year reflected a 53-week period, as compared to the 2002 and 2001 fiscal years, which each reflected a 52-week period.

NATURE OF OPERATIONS
Liz Claiborne, Inc. is engaged primarily in the design and marketing of a broad range of apparel, accessories and fragrances.

PRINCIPLES OF CONSOLIDATION
The consolidated financial statements include the accounts of Liz Claiborne, Inc. and its wholly-owned and majority-owned subsidiaries (the "Company"). All intercompany balances and transactions have been eliminated in consolidation.

USE OF ESTIMATES AND CRITICAL ACCOUNTING POLICIES
Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements. These estimates and assumptions also affect the reported amounts of revenues and expenses. Estimates by their nature are based on judgments and available information. Therefore, actual results could materially differ from those estimates under different assumptions and conditions.

Critical accounting policies are those that are most important to the portrayal of the Company's financial condition and the results of operations and require management's most difficult, subjective and complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company's most critical accounting policies, discussed below, pertain to revenue recognition, income taxes, accounts receivable - trade, net, inventories, net, the valuation of goodwill and intangible assets with indefinite lives, accrued expenses and derivative instruments. In applying such policies, management must use some amounts that are based upon its informed judgments and best estimates. Because of the uncertainty inherent in these estimates, actual results could differ from estimates used in applying the critical accounting policies. Changes in such estimates, based on more accurate future information, may affect amounts reported in future periods.

Revenue Recognition
Revenue within the Company's wholesale operations is recognized at the time title passes and risk of loss is transferred to customers. Wholesale revenue is recorded net of returns, discounts and allowances. Returns and allowances require pre-approval from management. Discounts are based on trade terms. Estimates for end-of-season allowances are based on historic trends, seasonal results, an evaluation of current economic conditions and retailer performance. The Company reviews and refines these estimates on a monthly basis based on current experience, trends and retailer performance. The Company's historical estimates of these costs have not differed materially from actual results. Retail store revenues are recognized net of estimated returns at the time of sale to consumers. Retail revenues are recorded net of returns. Licensing revenues are recorded based upon contractually guaranteed minimum levels and adjusted as actual sales data is received from licensees.

Income Taxes
Income taxes are accounted for under Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." In accordance with SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as measured by enacted tax rates that are expected to be in effect in the periods when the deferred tax assets and liabilities are expected to be settled or realized. Significant judgment is required in determining the worldwide provisions for income taxes. In the ordinary course of a global business, there are many transactions for which the ultimate tax outcome is uncertain. It is the Company's policy to establish provisions for taxes that may become payable in future years as a result of an examination by tax authorities. The Company establishes the provisions based upon

management's assessment of exposure associated with permanent tax differences, tax credits and interest expense applied to temporary difference adjustments. The tax provisions are analyzed periodically (at least annually) and adjustments are made as events occur that warrant adjustments to those provisions.

Accounts Receivable − Trade, Net

In the normal course of business, the Company extends credit to customers that satisfy pre−defined credit criteria. Accounts Receivable − Trade, Net, as shown on the Consolidated Balance Sheets, is net of allowances and anticipated discounts. An allowance for doubtful accounts is determined through analysis of the aging of accounts receivable at the date of the financial statements, assessments of collectibility based on an evaluation of historic and anticipated trends, the financial condition of the Company's customers, and an evaluation of the impact of economic conditions. An allowance for discounts is based on those discounts relating to open invoices where trade discounts have been extended to customers. Costs associated with potential returns of products as well as allowable customer markdowns and operational charge backs, net of expected recoveries, are included as a reduction to net sales and are part of the provision for allowances included in Accounts Receivable − Trade, Net. These provisions result from seasonal negotiations with the Company's customers as well as historic deduction trends (net of expected recoveries) and the evaluation of current market conditions. The Company's historical estimates of these costs have not differed materially from actual results.

Inventories, Net

Inventories are stated at lower of cost (using the first−in, first−out method) or market. The Company continually evaluates the composition of its inventories assessing slow−turning, ongoing product as well as prior seasons' fashion product. Market value of distressed inventory is valued based on historical sales trends for this category of inventory of the Company's individual product lines, the impact of market trends and economic conditions, and the value of current orders in−house relating to the future sales of this type of inventory. Estimates may differ from actual results due to quantity, quality and mix of products in inventory, consumer and retailer preferences and market conditions. The Company's historical estimates of these costs and its provisions have not differed materially from actual results.

Goodwill And Other Intangibles

On December 30, 2001, the first day of fiscal year 2002, the Company adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires that goodwill and intangible assets with indefinite lives no longer be amortized, but rather be tested at least annually for impairment. This pronouncement also requires that intangible assets with finite lives be amortized over their respective lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long−Lived Assets." A two−step impairment test is performed on goodwill. In the first step, the Company compares the fair value of each reporting unit to its carrying value. The Company's reporting units are consistent with the reportable segments identified in Note 20 of Notes to Consolidated Financial Statements. The Company determines the fair value of its reporting units using the market approach as is typically used for companies providing products where the value of such a company is more dependent on the ability to generate earnings than the value of the assets used in the production process. Under this approach the Company estimates the fair value based on market multiples of revenues and earnings for comparable companies. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and the Company is not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company must perform the second step in order to determine the implied fair value of the reporting unit's goodwill and compare it to the carrying value of the reporting unit's goodwill. The activities in the second step include valuing the tangible and intangible assets of the impaired reporting unit, determining the fair value of the impaired reporting unit's goodwill based upon the residual of the summed identified tangible and intangible assets and the fair value of the enterprise as determined in the first step, and determining the magnitude of the goodwill impairment based upon a comparison of the fair value residual goodwill and the carrying value of goodwill of the reporting unit. If the carrying value of the reporting unit's goodwill exceeds the implied fair value, then the Company must record an impairment loss equal to the difference. SFAS No. 142 also requires that the fair value of the purchased intangible assets, primarily trademarks and trade names, with indefinite lives be estimated and compared to the carrying value. The Company estimates the fair value of these intangible assets using independent third parties who apply the income approach using the relief−from−royalty method, based on the assumption that, in lieu of ownership, a firm would be willing to pay a royalty in order to exploit the related benefits of these types of assets. This approach is dependent on a number of factors including estimates of future growth and trends, estimated royalty rates in the category of intellectual property, discounted rates and other variables. The Company bases its fair value estimates on assumptions it believes to be reasonable, but which are unpredictable and inherently uncertain. Actual future results may differ from those estimates. The Company recognizes an impairment loss when the estimated fair value of the intangible asset is less than the carrying value. Owned trademarks that have been determined to have indefinite lives are not

subject to amortization and are reviewed at least annually for potential value impairment as mentioned above. Trademarks that are licensed by the Company from third parties are amortized over the individual terms of the respective license agreements, which range from 5 to 15 years. Intangible merchandising rights are amortized over a period of four years.

The recoverability of the carrying values of all long-lived assets with definite lives is reevaluated when changes in circumstances indicate the assets' value may be impaired. Impairment testing is based on a review of forecasted operating cash flows and the profitability of the related business. For the three-year period ended January 3, 2004, there were no material adjustments to the carrying values of any long-lived assets resulting from these evaluations.

Accrued Expenses

Accrued expenses for employee insurance, workers' compensation, profit sharing, contracted advertising, professional fees, and other outstanding Company obligations are assessed based on claims experience and statistical trends, open contractual obligations, and estimates based on projections and current requirements. If these trends change significantly, then actual results would likely be impacted.

Derivative Instruments

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and interpreted, requires that each derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability and measured at its fair value. The statement also requires that changes in the derivative's fair value be recognized currently in earnings in either income (loss) from continuing operations or Accumulated Other Comprehensive Income (Loss), depending on whether the derivative qualifies for hedge accounting treatment.

The Company uses foreign currency forward contracts and options for the specific purpose of hedging the exposure to variability in forecasted cash flows associated primarily with inventory purchases mainly with the Company's European and Canadian entities and other specific activities and the swapping of variable interest rate debt for fixed rate debt in connection with the synthetic lease. These instruments are designated as cash flow hedges and, in accordance with SFAS No. 133, to the extent the hedges are highly effective, the changes in fair value are included in Accumulated Other Comprehensive Income (Loss), net of related tax effects, with the corresponding asset or liability recorded in the balance sheet. The ineffective portion of the cash flow hedge, if any, is recognized in current-period earnings. Amounts recorded in Accumulated Other Comprehensive Income (Loss) are reflected in current-period earnings when the hedged transaction affects earnings. If fluctuations in the relative value of the currencies involved in the hedging activities were to move dramatically, such movement could have a significant impact on the Company's results of operations.

Hedge accounting requires that at the beginning of each hedge period, the Company justifies an expectation that the hedge will be highly effective. This effectiveness assessment involves an estimation of the probability of the occurrence of transactions for cash flow hedges. The use of different assumptions and changing market conditions may impact the results of the effectiveness assessment and ultimately the timing of when changes in derivative fair values and underlying hedged items are recorded in earnings.

The Company hedges its net investment position in Euro functional subsidiaries by borrowing directly in foreign currency and designating a portion of foreign currency debt as a hedge of net investments. Under SFAS No. 133, changes in the fair value of these instruments are immediately recognized in foreign currency translation, a component of Accumulated Other Comprehensive Income (Loss), to offset the change in the value of the net investment being hedged.

Occasionally, the Company purchases short-term foreign currency contracts and options outside of the cash flow hedging program to neutralize quarter-end balance sheet and other expected exposures. These derivative instruments do not qualify as cash flow hedges under SFAS No. 133 and are recorded at fair value with all gains or losses, which have not been significant, recognized in current period earnings immediately.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Fair Value of Financial Instruments
The fair value of cash and cash equivalents, receivables and accounts payable approximates their carrying value due to their short-term maturities. The fair value of long-term debt instruments approximates the carrying value and is estimated based on the current rates offered to the Company for debt of similar maturities. Fair values for derivatives are either obtained from counter parties or developed using dealer quotes or cash flow models.

Cash and Cash Equivalents
All highly liquid investments with an original maturity of three months or less at the date of purchase are classified as cash equivalents.

Marketable Securities
Investments are stated at market. The estimated fair value of the marketable securities is based on quoted prices in an active market. Gains and losses on investment transactions are determined using the specific identification method and are recognized in income based on settlement dates. Unrealized gains and losses on securities held for sale are included in Accumulated Other Comprehensive Income (Loss) until realized. Interest is recognized when earned. All marketable securities are considered available-for-sale.

Property and Equipment
Property and equipment is stated at cost less accumulated depreciation and amortization. Buildings and building improvements are depreciated using the straight-line method over their estimated useful lives of 20 to 39 years. Machinery and equipment and furniture and fixtures are depreciated using the straight-line method over their estimated useful lives of three to seven years. Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful lives of the assets.

Foreign Currency Translation
Assets and liabilities of non-U.S. subsidiaries have been translated at year-end exchange rates. Revenues and expenses have been translated at average rates of exchange in effect during the year. Resulting translation adjustments have been included in Accumulated Other Comprehensive Income (Loss). Gains and losses on translation of intercompany loans with foreign subsidiaries of a long-term investment nature are also included in this component of stockholders' equity.

Cost of Goods Sold
Cost of goods sold includes the expenses incurred to acquire and produce inventory for sale, including product costs, freight-in, import costs and provisions for shrinkage.

Advertising, Promotion and Marketing
All costs associated with advertising, promoting and marketing of Company products are expensed during the periods when the activities take place. Costs associated with cooperative advertising programs are expensed when the advertising is run. Advertising and promotion expenses were $131.0 million in 2003, $119.8 million in 2002 and $115.2 million in 2001. Marketing expenses, including in-store and other Company-sponsored activities, were $44.7 million in 2003, $41.9 million in 2002 and $40.5 million in 2001.

Shipping and Handling Costs
Shipping and handling costs are included as a component of Selling, general & administrative expenses in the Consolidated Statements of Income. In fiscal years 2003, 2002 and 2001 shipping and handling costs approximated $194.0 million, $177.4 million and $170.4 million, respectively.

Stock−Based Compensation

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

	Fiscal Year Ended		
In thousands except per share data	January 3, 2004	December 28, 2002	December 29, 2001
Net income:			
As reported	$ 279,693	$ 231,165	$ 192,057
Total stock−based employee compensation expense determined under fair value based method for all awards*, net of tax	19,945	16,786	13,336
Pro forma	$ 259,748	$ 214,379	$ 178,721
Basic earnings per share:			
As reported	$2.60	$2.19	$1.85
Pro forma	$2.44	$2.03	$1.72
Diluted earnings per share:			
As reported	$2.55	$2.16	$1.83
Pro forma	$2.39	$2.02	$1.72

* "All awards" refers to awards granted, modified, or settled in fiscal periods beginning after December 15, 1994 − that is, awards for which the fair value was required to be measured under SFAS No. 123.

For this purpose, the fair value of each option grant is estimated on the date of grant using the Black−Scholes option−pricing model with the following weighted average assumptions used for grants in 2003, 2002 and 2001, respectively: dividend yield of 0.7%, 0.8% and 0.9%, expected volatility of 39%, 39% and 46%, risk free interest rates of 2.7%, 2.7% and 4.4%, and expected lives of five years for all periods.

Cash Dividend and Common Stock Repurchase

On January 22, 2004, the Company's Board of Directors declared a quarterly cash dividend on the Company's common stock at the rate of $0.05625 per share, to be paid on March 15, 2004 to stockholders of record at the close of business on February 23, 2004. As of January 3, 2004, the Company has $218.3 million remaining in buyback authorization under its share repurchase program.

Prior Years' Reclassification

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

NOTE 2: ACQUISITIONS

On December 1, 2003, the Company acquired 100 percent of the equity interest of ENYCE HOLDING LLC ("ENYCE"), a privately held fashion apparel company, for a purchase price of approximately $121.9 million, including fees and the retirement of debt at closing. Founded in 1996 by FILA USA and based in New York City, ENYCE is a designer, marketer and wholesaler of fashion forward streetwear, denim−based lifestyle products, outerwear, athletic−inspired apparel, casual tops and knitwear for men and women through its ENYCE(R) and Lady ENYCE(R) brands. ENYCE sells its products primarily through specialty store chains, better specialty stores and select department stores, as well as through international distributors in Germany, Canada and Japan. Currently, men's products account for approximately 84% of net sales, while women's products account for the balance. Based upon a preliminary independent third−party valuation of the tangible and intangible assets acquired from ENYCE, it is estimated that the value of the ENYCE trademarks and trade names will be in the range of $25−28 million. The Company expects that the valuation of the ENYCE business will be completed by the end of March 2004. Unaudited pro forma information related to this acquisition is not included, as the impact of this transaction is not material to the consolidated results of the Company.

On April 7, 2003, the Company acquired 100 percent of the equity interest of Juicy Couture, Inc. (formerly, Travis Jeans, Inc.) ("Juicy Couture"). Based in Southern California, Juicy Couture is a premium designer, marketer and wholesaler of sophisticated basics for women, men and children and is recognized around the world as a leading contemporary brand of casual lifestyle clothing. Juicy Couture had sales of approximately $47 million in 2002. The total purchase price consisted of (a) a payment, including the assumption of debt and fees, of $53.1 million, and (b) a contingent payment to be determined as a multiple of Juicy Couture's earnings for one of the years ended 2005, 2006 or 2007. The selection of the measurement year for the contingent payment is at either party's option. The Company estimates that, if the 2005 measurement year is selected, the contingent payment would be in the range of approximately $72 − 76 million. Based upon an independent third−party valuation of the tangible and intangible assets acquired from Juicy Couture, approximately $27 million of purchase price has been allocated to the value of trademarks and trade names associated with the business. The trademarks and trade names have been classified as having indefinite lives and will be subject to an annual test for impairment as required by SFAS No. 142. Unaudited pro forma information related to this acquisition is not included, as the impact of this transaction is not material to the consolidated results of the Company.

On September 30, 2002, the Company acquired 100 percent of the equity interest of Ellen Tracy Inc., a fashion apparel company, and its related companies (collectively, "Ellen Tracy") for a cash purchase price of $177.0 million, including the assumption of debt and fees. Based upon an independent third−party valuation of the tangible and intangible assets acquired from Ellen Tracy, approximately $60 million of purchase price has been allocated to the value of the trademarks and trade names associated with the business. The trademarks and trade names have been classified as having indefinite lives and are subject to annual impairment testing. The fair market value of assets acquired was $90.4 million (including $60.3 million of trademarks) and liabilities assumed were $44.1 million resulting in goodwill of approximately $129.3 million. Unaudited pro forma information related to this acquisition is not included, as the impact of this transaction is not material to the consolidated results of the Company.

On July 9, 2002, the Company acquired 100 percent of the equity interest of Mexx Canada, Inc., a privately held fashion apparel and accessories company ("Mexx Canada"). The total purchase price consisted of: (a) an initial cash payment made at the closing date of $15.2 million; (b) a second payment made at the end of the first quarter 2003 of 26.4 million Canadian dollars (or $17.9 million based on the exchange rate in effect as of April 5, 2003); and (c) a contingent payment to be determined as a multiple of Mexx Canada's earnings and cash flow performance for the year ended 2004 or 2005. The selection of the measurement year for the contingent payment is at either party's option. The Company estimates that if the 2004 measurement year is selected, this payment will be in the range of 38 − 42 million Canadian dollars (or $30 − 33 million based on the exchange rate as of January 3, 2004). The fair market value of assets acquired was $20.5 million and liabilities assumed were $17.7 million resulting in Goodwill of $29.6 million. Unaudited pro forma information related to this acquisition is not included, as the impact of this transaction is not material to the consolidated results of the Company.

On May 23, 2001, the Company acquired 100 percent of the equity interest of Mexx Group B.V. ("Mexx"), a privately held fashion apparel company incorporated and existing under the laws of The Netherlands, for a purchase price consisting of: (a) 295 million Euros (or $255.1 million based on the exchange rate in effect on such date), in cash at closing (including the assumption of debt), and (b) a contingent payment to be determined as a multiple of Mexx's earnings and cash flow

performance for the year ended 2003, 2004 or 2005. The selection of the measurement year for the contingent payment is at either party's option. The Company estimates that if the 2003 measurement year is selected, the contingent payment would be in the range of approximately 144 − 148 million Euros (or $181 − 186 million based on the exchange rate as of January 3, 2004). The acquisition of Mexx, included in operating results from the acquisition date, was accounted for using the purchase method of accounting. The excess purchase price over fair market value of the underlying net assets acquired was $199.7 million. Based upon an independent third−party valuation of the tangible and intangible assets acquired from Mexx, approximately $60.6 million of purchase price has been allocated to the value of the trademarks and trade names associated with the business. The trademarks and trade names have been classified as having indefinite lives and are subject to annual impairment testing. The purchase price includes an adjustment for transaction fees associated with the acquisition and the expenses associated with the closure of certain under−performing retail stores as well as the elimination of certain other duplicate support functions within the Mexx enterprise, which were decided prior to the consummation of the transaction. The aggregate of the above items amounts to $32.6 million. The fair market value of assets acquired was $179.2 million (including $60.6 million of trademarks) and liabilities assumed were $91.2 million.

The following unaudited pro forma information assumes the Mexx acquisition had occurred on December 31, 2000. The pro forma information, as presented below, is not indicative of the results that would have been obtained had the transaction occurred on December 31, 2000, nor is it indicative of the Company's future results.

	Fiscal Year Ended		
In thousands except per share data	January 3, 2004 Actual	December 28, 2002 Actual	December 29, 2001 Pro forma
Net sales	$ 4,241,155	$ 3,717,503	$ 3,591,273
Net income	279,693	231,165	180,297
Basic earnings per share	$2.60	$2.19	$1.73
Diluted earnings per share	$2.55	$2.16	$1.72

The above pro forma amounts reflect adjustments for interest expense from additional borrowings necessary to finance the acquisition and income tax effect based upon a pro forma effective tax rate of 36% in 2001. The unaudited pro forma information gives effect only to adjustments described above and does not reflect management's estimate of any anticipated cost savings or other benefits as a result of the acquisition.

On June 8, 1999, the Company acquired 85.0 percent of the equity interest of Lucky Brand Dungarees, Inc. ("Lucky Brand"), whose core business consists of the Lucky Brand line of women's and men's denim−based sportswear. The acquisition was accounted for using the purchase method of accounting. The total purchase price consisted of a cash payment made at the closing date of approximately $85 million and a payment made in April 2003 of $28.5 million. An additional payment of $12.7 million was made in 2000 for tax−related purchase price adjustments. Commencing in June 2004, the Company may elect to, or be required to, purchase the remaining equity interest of Lucky Brand at an amount equal to its then fair market value, or under certain circumstances at a 20% premium on such value. The Company estimates this payment would be in the range of approximately $32 − 45 million if the purchase occurs in 2004.

On February 12, 1999, the Company acquired 84.5 percent of the equity interest of Segrets, Inc., whose core business consists of the Sigrid Olsen women's apparel lines. In the fourth quarter of 1999, the Company purchased an approximately 3.0 percent additional equity interest. In November 2000, the Company increased its equity interest to 97.5 percent. Commencing in February 2004, the Company may elect to, or be required to, purchase the remaining equity interest at an amount equal to its then fair market value. The Company estimates this payment would be in the range of approximately $2 − 4 million if the purchase occurs in 2004.

The contingent payments related to the Juicy Couture, Lucky Brand, Mexx, Mexx Canada and Segrets acquisitions will be accounted for as additional purchase price.

NOTE 3: LICENSING COMMITMENTS

In June 2002, the Company consummated an exclusive license agreement with Kellwood Company ("Kellwood") under which Kellwood was granted the license to design, manufacture, market, sell and distribute men's dress shirts under the Claiborne label in North America commencing with the Spring 2003 selling season. The line, which is being produced by Kellwood's subsidiary, Smart Shirts Ltd., a global manufacturer of men's shirts, was previously produced and sold by the Company's Claiborne Men's division. Under the agreement, Kellwood is obligated to pay a royalty equal to a percentage of net sales of the Claiborne products. The initial term of the license runs through December 31, 2005; the licensee has options to renew for two additional 3-year periods if certain sales thresholds are met.

In August 1999, the Company consummated exclusive license agreements with Kenneth Cole Productions, Inc. ("KCP") to manufacture, design, market and distribute women's apparel products in North America under the trademarks "Kenneth Cole New York," "Reaction Kenneth Cole" and "Unlisted.com." The term of the license agreement is scheduled to expire on December 31, 2004.

In December 2002, the Company consummated an exclusive license agreement with KCP to design, manufacture, market and distribute women's jewelry in the United States under the trademarks "Kenneth Cole New York" and "Reaction Kenneth Cole." The initial term of the license agreement runs through December 31, 2006. The Company has an option to renew for an additional two-year period if certain thresholds are met. Under each of these agreements, the Company is obligated to pay a royalty equal to a percentage of net sales of licensed products.

In July 1998, the Company consummated an exclusive license agreement with Candie's, Inc. to manufacture, market, distribute and sell a line of fragrances for men and women using "Candie's" marks and logos. Under the agreement, the Company is obligated to pay royalty equal to a percentage of net sales of the "Candie's(R)" products. The initial term of the license agreement runs through January 31, 2006, with an option to renew for an additional 10-year period if certain sales thresholds are met.

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

The Company also has an additional exclusive license agreement to design, produce, market and sell in the Western Hemisphere a line of women's career and casual sportswear for the "better" market under the trademark City DKNY(R). Under the agreement, the Company is obligated to pay a royalty equal to a percentage of net sales of the licensed products. The initial term of the license agreement runs through December 31, 2005; the Company does not expect to extend the license upon the expiration of its initial term.

Certain of the above licenses are subject to minimum guarantees totaling $135.8 million and running through 2012; there is no maximum limit on the license fees.

NOTE 4: MARKETABLE SECURITIES

In August 1999, the Company, in conjunction with the consummation of a license agreement with Kenneth Cole Productions, Inc. purchased one million shares of Kenneth Cole Productions, Inc. Class A stock for $29.0 million. In March 2000, a three-for-two stock split increased the number of shares owned by the Company to 1.5 million shares. In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," as of January 3, 2004 and December 28, 2002, the marketable securities are considered available-for-sale and are recorded at fair market value with unrealized losses net of taxes reported as a component of Accumulated Other Comprehensive Income (Loss).

The following is a summary of available-for-sale marketable securities at January 3, 2004 and December 28, 2002:

January 3, 2004 (in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities	$ 29,000	$ 14,725	$ --	$ 43,725
Other holdings	8,785	--	2,096	6,689
Total	$ 37,785	$ 14,725	$ 2,096	$ 50,414

December 28, 2002 (in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities	$ 29,000	$ 2,590	$ --	$ 31,590
Other holdings	8,689	--	3,471	5,218
Total	$ 37,689	$ 2,590	$ 3,471	$ 36,808

For 2003, 2002 and 2001, there were no gross realized gains on sales of available-for-sale securities.

NOTE 5: INVENTORIES, NET

Inventories are summarized as follows:

In thousands	January 3, 2004	December 28, 2002
Raw materials	$ 25,922	$ 26,069
Work in process	6,085	5,824
Finished goods	453,175	429,261
	$ 485,182	$ 461,154

NOTE 6: PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

In thousands	January 3, 2004	December 28, 2002
Land and buildings	$ 140,198	$ 140,311
Machinery and equipment	328,525	313,161
Furniture and fixtures	145,423	122,815
Leasehold improvements	282,373	235,859
	896,519	812,146
Less: Accumulated depreciation and amortization	485,778	433,843
	$ 410,741	$ 378,303

Depreciation and amortization expense of property and equipment was $81.4 million, $70.6 million and $61.9 million for fiscal years 2003, 2002 and 2001, respectively.

NOTE 7: GOODWILL AND INTANGIBLES, NET

The Company adopted the provisions of SFAS No. 142 effective December 30, 2001. As required under SFAS No. 142, the Company completed its transitional impairment tests as of December 29, 2001 and its annual impairment tests as of the first day of the third quarters of each of fiscal 2003 and fiscal 2002. No impairment was recognized at either date.

The following tables disclose the carrying value of all the intangible assets:

Dollars in thousands	Estimated Lives	January 3, 2004	December 28, 2002
Amortized intangible assets:			
Gross Carrying Amount:			
Licensed trademarks	5–15 years	$ 42,849	$ 42,849
Merchandising rights	4 years	71,138	73,920
Subtotal		$ 113,987	$ 116,769
Accumulated Amortization:			
Licensed trademarks		$ (13,963)	$ (10,184)
Merchandising rights		(45,212)	(42,064)
Subtotal		$ (59,175)	$ (52,248)
Net:			
Licensed trademarks		$ 28,886	$ 32,665
Merchandising rights		25,926	31,856
Total amortized intangible assets, net		$ 54,812	$ 64,521
Unamortized intangible assets:			
Owned trademarks		$ 189,356	$ 162,056
Total intangible assets		$ 244,168	$ 226,577

Intangible amortization expense for 2003, 2002 and 2001 amounted to $20.3 million, $22.8 million and $20.8 million, respectively.

The estimated intangible amortization expense for the next five years is as follows:

Fiscal Year	(In millions) Amortization Expense
2004	$17.0
2005	10.5
2006	6.0
2007	4.4
2008	2.8

The changes in carrying amount of goodwill for the twelve months ended January 3, 2004 are as follows:

In thousands	Wholesale Apparel	Wholesale Non-Apparel	Total
Balance December 28, 2002	$ 469,050	$ 9,819	$ 478,869
Acquisition of Juicy Couture*	6,729	--	6,729
Acquisition of Enyce*	102,089	--	102,089
Acquisition of Mexx Austria	91	--	91
Reversal of unused purchase accounting reserves	(3,894)	(224)	(4,118)
Translation difference	6,507	--	6,507
Finalization of preliminary purchase price allocation of Ellen Tracy	2,769	--	2,769
Additional purchase price of Lucky Brand Dungarees	3,500	--	3,500
Balance January 3, 2004	$ 586,841	$ 9,595	$ 596,436

* Pending finalization of purchase price allocation.

There is no goodwill related to the Company's retail segment.

The following pro forma information presents the impact on net income and earnings per share had SFAS No. 142 been effective for the twelve months ended December 29, 2001:

	Fiscal Year Ended		
In thousands except per share data	January 3, 2004 Actual	December 28, 2002 Actual	December 29, 2001 Pro forma
Net income, as reported	$ 279,693	$ 231,165	$ 192,057
Discontinued amortization of goodwill and intangibles, net of tax	--	--	10,503
Net income, adjusted	$ 279,693	$ 231,165	$ 202,560
Basic earnings per share, as reported	$ 2.60	$ 2.19	$ 1.85
Discontinued amortization of goodwill and intangibles, net of tax	--	--	0.10
Basic earnings per share, adjusted	$ 2.60	$ 2.19	$ 1.95
Diluted earnings per share, as reported	$ 2.55	$ 2.16	$ 1.83
Discontinued amortization of goodwill and intangibles, net of tax	--	--	0.10
Diluted earnings per share, adjusted	$ 2.55	$ 2.16	$ 1.93

NOTE 8: ACCRUED EXPENSES

Accrued expenses consisted of the following:

In thousands	January 3, 2004	December 28, 2002
Payroll and bonuses	$ 43,233	$ 64,018
Taxes, other than taxes on income	5,643	12,210
Employee benefits	56,223	45,296
Advertising	28,561	25,049
Restructuring reserve	1,969	11,377
Accrued interest	11,551	9,582
Mark-to-market liability	14,973	4,369
Deferred royalty income	4,869	--
Additional purchase price payments	--	42,214
Other	84,264	69,343
	$ 251,286	$ 283,458

NOTE 9: INCOME TAXES

The provisions for income taxes are as follows:

	Fiscal Year Ended		
In thousands	January 3, 2004	December 28, 2002	December 29, 2001
Current:			
Federal	$ 104,102	$ 107,157	$ 89,237
Foreign	27,940	18,663	10,131
State &local	15,345	15,600	10,800
Total Current	$ 147,387	$ 141,420	$ 110,168
Deferred:			
Federal	$ 16,064	$ (7,644)	$ 10,899
Foreign	(7,760)	(4,304)	(14,155)
State &local	3,007	1,809	1,120
Total Deferred	11,311	(10,139)	(2,136)
	$ 158,698	$ 131,281	$ 108,032

Liz Claiborne, Inc. and its U.S. subsidiaries file a consolidated federal income tax return. Deferred income tax benefits and deferred income taxes represent the tax effects of revenues, costs and expenses which are recognized for tax purposes in different periods from those used for financial statement purposes. The current income tax provisions exclude approximately $8,610,000 in 2003, $5,916,000 in 2002 and $4,511,000 in 2001 arising from the tax benefits related to the exercise of nonqualified stock options. These amounts have been credited to capital in excess of par value. In addition, the current income tax provision does not reflect the deferred tax liability from the Company's acquisition of Mexx of approximately $475,000 and the valuation allowance against the net operating loss carryforwards acquired as part of the acquisition of Mexx for the year ended December 29, 2001.

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

	Fiscal Year Ended		
	January 3, 2004	December 28, 2002	December 29, 2001
Federal tax provision at statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal benefit	2.3	2.8	2.3
Other-net	(1.1)	(1.6)	(1.3)
	36.2%	36.2%	36.0%

The components of net deferred taxes arising from temporary differences as of January 3, 2004 and December 28, 2002 are as follows:

	January 3, 2004		December 28, 2002	
In thousands	Deferred Tax Asset	Deferred Tax Liability	Deferred Tax Asset	Deferred Tax Liability
Inventory valuation	$ 4,050	$ --	$ 8,356	$ --
Restructuring charge	7,411	--	10,854	--
Deferred compensation	--	(13,442)	--	(10,414)
Nondeductible accruals	9,051	--	13,110	--
Amortization of intangibles	--	22,410	--	8,576
Unrealized investment losses	6,332	5,331	4,545	933
Net operating loss carryforwards	17,984	--	16,924	--
Valuation allowance	(9,930)	--	(7,153)	--
Depreciation	--	23,941	--	34,293
Other-net	10,858	5,621	(759)	321
	$ 45,756	$ 43,861	$ 45,877	$ 33,709

As of January 3, 2004, Mexx had net operating loss carryforwards of approximately $48,160,000 (that begins to expire in 2005), available to reduce future foreign taxable income. A deferred tax asset has been established; however, a valuation allowance of $8,802,000 has reduced the deferred tax assets because it is more likely than not that certain of these assets will not be used to reduce future tax payments. The valuation allowance increased $2.8 million from the prior year, as management now believes that it is more likely than not that certain deferred tax assets will not be used to reduce future tax payments.

As of December 28, 2002, Mexx had net operating loss carryforwards of approximately $45,162,000 (that begins to expire in 2005), available to reduce future foreign taxable income. A deferred tax asset had been established; however, a valuation allowance of $6,035,000 had reduced the deferred tax assets because it was more likely than not that certain of these assets would not be used to reduce future tax payments. The valuation allowance increased $0.2 million from the prior year, as management believed that it was more likely than not that certain deferred tax assets would not be used to reduce future tax payments.

As of January 3, 2004, a state net operating loss was recorded and a full valuation allowance was established in the amount of $1,128,000. For December 28, 2002, the corresponding amount was $1,116,000.

The Company has provided Federal income taxes on unremitted earnings from its international subsidiaries that may be remitted back to the United States. Federal income taxes were not provided on unremitted earnings expected to be permanently reinvested internationally of approximately $11.2 million.

NOTE 10: COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

The Company leases office, showroom, warehouse/distribution and retail space and computers and other equipment under various noncancelable operating lease agreements which expire through 2023. Rental expense for 2003, 2002 and 2001 was approximately $146,348,000, $124,610,000 and $100,748,000, respectively. The above rental expense amounts exclude associated costs such as real estate taxes and common area maintenance.

At January 3, 2004, the minimum aggregate rental commitments are as follows:

Fiscal Year	(In thousands) Operating Leases	Fiscal Year	(In thousands) Operating Leases
2004	$141,542	2007	$105,535
2005	129,122	2008	98,070
2006	118,468	Thereafter	363,172

Certain rental commitments have renewal options extending through the fiscal year 2031. Some of these renewals are subject to adjustments in future periods. Many of the leases call for additional charges, some of which are based upon various escalations, and, in the case of retail leases, the gross sales of the individual stores above base levels.

At January 3, 2004 and December 28, 2002, the Company had entered into short-term commitments for the purchase of raw materials and for the production of finished goods totaling approximately $614,840,000 and $594,024,000, respectively.

In the normal course of business, the Company extends credit, on open account, to its retail customers, after a credit analysis is performed based on a number of financial and other criteria. Federated Department Stores, May Department Stores and Dillard's Department Stores accounted for approximately 15%, 10% and 9%, respectively, of wholesale net sales in 2003; 16%, 12% and 11%, respectively, of wholesale net sales in 2002; and 17%, 13% and 11%, respectively, of wholesale net sales in 2001. The Company does not believe that this concentration of sales and credit risk represents a material risk of loss with respect to its financial position as of January 3, 2004.

In the United States and Canada, the Company is bound by collective bargaining agreements with the Union of Needletrades, Industrial and Textile Employees (UNITE) and agreements with various related locals which expire at various dates through the period December 2004 through May 2006. These agreements cover approximately 1,550 of the Company's full-time employees. Most of the UNITE-represented employees are employed in warehouse and distribution facilities the Company operates in California, New Jersey, Ohio, Pennsylvania and Rhode Island. In addition, the Company is bound by an agreement with the Industrial Professional & Technical Workers International Union, covering approximately 235 of its full-time employees at its Santa Fe Springs, California facility and expiring on May 14, 2005.

The Company considers its relations with its employees to be satisfactory and to date has not experienced any interruption of its operations due to labor disputes. While relations with the union have historically been amicable, the Company cannot conclusively eliminate the likelihood of a labor dispute at one or more of its facilities during negotiations of its collective bargaining agreements with UNITE and its related locals. While the Company does not foresee the likelihood of a prolonged labor dispute, any substantial labor disruption could adversely affect its operations.

On May 22, 2001, the Company entered into an off-balance sheet financing arrangement (commonly referred to as a "synthetic lease") to acquire various land and equipment and construct buildings and real property improvements associated with warehouse and distribution facilities in Ohio and Rhode Island. The leases expire on November 22, 2006, with renewal subject to the consent of the lessor. The lessor under the operating lease arrangements is an independent third-party limited liability company, which has contributed equity of 5.75% of the $63.7 million project costs. The leases include guarantees by the Company for a substantial portion

of the financing and options to purchase the facilities at original cost; the maximum guarantee is approximately $54 million. The guarantee becomes effective if the Company declines to purchase the facilities at the end of the lease and the lessor is unable to sell the property at a price equal to or greater than the original cost. The Company selected this financing arrangement to take advantage of the favorable financing rates such an arrangement afforded as opposed to the rates available under alternative real estate financing options. The lessor financed the acquisition of the facilities through funding provided by third-party financial institutions. The lessor has no affiliation or relationship with the Company or any of its employees, directors or affiliates, and the Company's transactions with the lessor are limited to the operating lease agreements and the associated rent expense that will be included in Selling, general & administrative expense in the Consolidated Statements of Income. In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities (an interpretation of ARB No. 51)", which was revised in December 2003 ("FIN 46") (see Note 22 of Notes to Consolidated Financial Statements). The third-party lessor does not meet the definition of a variable interest entity under FIN 46, and therefore consolidation by the Company is not required.

See Note 2 of Notes to Consolidated Financial Statements for information regarding contingent payments related to acquisitions made by the Company.

The Company is a party to several pending legal proceedings and claims. Although the outcome of such actions cannot be determined with certainty, management is of the opinion that the final outcome should not have a material adverse effect on the Company's results of operations or financial position (see Note 24 of Notes to Consolidated Financial Statements).

NOTE 11: DEBT AND LINES OF CREDIT

On August 7, 2001, the Company issued 350 million Euros (or $307.2 million based on the exchange rate in effect on such date) of 6.625% notes due in 2006 (the "Eurobonds"). The Eurobonds are listed on the Luxembourg Stock Exchange and received a credit rating of BBB from Standard & Poor's and Baa2 from Moody's Investor Services. Interest on the Eurobonds is being paid on an annual basis until maturity. These bonds are designated as a hedge of the Company's net investment in Mexx (see Note 2 of Notes to Consolidated Financial Statements).

On October 21, 2002, the Company entered into a $375 million, 364-day unsecured financing commitment under a bank revolving credit facility, replacing a $500 million, 364-day unsecured credit facility scheduled to mature in November 2002, and a $375 million, three-year bank revolving credit facility, replacing an existing $250 million bank facility which was scheduled to mature in November 2003. The three-year facility includes a $75 million multi-currency revolving credit line which permits the Company to borrow in U.S. dollars, Canadian dollars and Euros. At December 28, 2002, the Company had no commercial paper outstanding and $12.6 million of borrowings denominated in Euro at an interest rate of 3.6%. The carrying amount of the Company's borrowings under the commercial paper program approximate fair value because the interest rates are based on floating rates, which are determined by prevailing market rates.

On October 17, 2003, the Company entered into a $375 million, 364-day unsecured financing commitment under a bank revolving credit facility, replacing the existing $375 million, 364-day unsecured credit facility scheduled to mature in October 2003, and on October 21, 2002, the Company received a $375 million, three-year bank revolving credit facility (collectively, the "Agreement"). The aforementioned bank facility replaced an existing $750 million bank facility which was scheduled to mature in November 2003. The three-year facility includes a $75 million multi-currency revolving credit line, which permits the Company to borrow in U.S. dollars, Canadian dollars and Euro. Repayment of outstanding balances of the 364-day facility can be extended for one year after the maturity date. The Agreement has two borrowing options, an "Alternative Base Rate" option, as defined in the Agreement, and a Eurocurrency rate option with a spread based on the Company's long-term credit rating. The Agreement contains certain customary covenants, including financial covenants requiring the Company to maintain specified debt leverage and fixed charge coverage ratios, and covenants restricting the Company's ability to, among other things, incur indebtedness, grant liens, make investments and acquisitions, and sell assets. The Company believes it is in compliance with such covenants. The Agreement may be directly drawn upon, or used, to support the Company's $750 million commercial paper program, which is used from time to time to fund working capital and other general corporate requirements. The Company's ability to obtain funding through its commercial paper program is subject to, among other things, the Company maintaining an investment-grade credit rating. At January 3, 2004, the Company had no debt outstanding under the Agreement.

As of January 3, 2004 and December 28, 2002, the Company had lines of credit aggregating $487 million and $469 million, respectively, which were primarily available to cover trade letters of credit. At January 3, 2004 and December 28, 2002, the Company had outstanding trade letters of credit of $254 million and $291 million, respectively. These letters of credit, which have terms ranging from one to ten months, primarily collateralize the Company's obligations to third parties for the purchase of inventory. The fair value of these letters of credit approximates contract values.

The Company's Canadian and European subsidiaries also have unsecured lines of credit totaling approximately $76.1 million (based on the exchange rates as of January 3, 2004). As of January 3, 2004, a total of $18.9 million of borrowings denominated in foreign currencies was outstanding at an average interest rate of 2.8%. These lines of credit bear interest at rates based on indices specified in the contracts plus a margin. The lines of credit are in effect for less than one year and mature at various dates in 2004. These lines are guaranteed by the Company. With the exception of the Eurobonds, which mature in 2006, substantially all of the Company's debt will mature in 2004 and will be refinanced under existing credit lines.

NOTE 12: DERIVATIVE INSTRUMENTS

At January 3, 2004, the Company had various Euro currency collars outstanding with a net notional amount of $42 million, maturing through July 2004 with values ranging between 1.05 and 1.14 U.S. dollar per Euro as compared to $80 million in collars and average rate options at December 28, 2002. The Company also had forward contracts maturing through December 2004 to sell 58 million Euro for $64 million and 16 million Canadian dollars for $12 million. The notional value of the foreign exchange forward contracts was approximately $76 million at January 3, 2004, as compared with approximately $61 million at December 28, 2002. Unrealized losses for outstanding foreign exchange forward contracts and currency options were approximately $11.8 million at January 3, 2004 and approximately $5.2 million at December 28, 2002. The ineffective portion of these contracts was not material and was expensed in the current year.

In connection with the variable rate financing under the synthetic lease agreement, the Company has entered into two interest rate swap agreements with an aggregate notional amount of $40.0 million that began in January 2003 and will terminate in May 2006, in order to fix the interest component of rent expense at a rate of 5.56%. The Company has entered into this arrangement to hedge against potential future interest rate increases. The change in fair value of the effective portion of the interest rate swap is recorded as a component of Accumulated Other Comprehensive Income (Loss) since these swaps are designated as cash flow hedges. The ineffective portion of these swaps is recognized currently in earnings and was not material for the year ended January 3, 2004.

NOTE 13: RESTRUCTURING CHARGES

In December 2002, the Company recorded a net pretax restructuring charge of $7.1 million, representing a charge of $9.9 million in connection with the closure of all 22 domestic LIZ CLAIBORNE brand specialty stores, offset by $2.8 million reversal of liabilities recorded in connection with the December 2001 restructuring that were no longer required. This determination to close the stores was intended to eliminate redundancy between this retail format and the wide department store base in which LIZ CLAIBORNE products are available. The $9.9 million charge included costs associated with lease obligations ($5.4 million), asset write-offs ($3.3 million) and other store closing costs ($1.2 million). In December 2003, the company recorded a net pretax restructuring gain of $672,000, representing the reversal of amounts provided in December 2002 no longer required. The remaining balance of the 2002 restructuring liability as of January 3, 2004 was $2.0 million related to remaining lease obligations, all of which is expected to be paid out in cash.

In December 2001, the Company recorded a net pretax restructuring charge of $15.1 million, representing a charge of $19.0 million, which consisted of approximately $4.6 million for the closure of seven Specialty Retail stores, due to a shift to a vertical format for one of the Company's brands which requires positioning in different locations and the elimination of its large "world" store concept, and five Outlet stores, due to the elimination of two of its branded store formats; $3.5 million for the closure of four of its division offices; $3.3 million associated with the strategic closure of two specific facilities and $7.6 million in severance related costs associated with the elimination of approximately 600 jobs, offset by the $3.9 million deemed no longer necessary of the Company's previous

restructuring liability originally recorded in December 2000. The remaining balance of the restructuring liability as of December 29, 2001 was $15.7 million. These activities were substantially complete as of December 28, 2002.

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

In millions	Store Closure Costs	Operating and Administrative Exit Costs	Estimated Occupancy Costs and Asset Write Downs	Total
Balance at December 30, 2000	$ 5.5	$ 11.4	$ 2.6	$ 19.5
2001 provision	4.6	7.6	6.8	19.0
2001 spending	(2.1)	(9.7)	(7.1)	(18.9)
2001 reserve reduction	(2.4)	(1.5)	--	(3.9)
Balance at December 29, 2001	$ 5.6	$ 7.8	$ 2.3	$ 15.7
2002 provision	9.9	--	--	9.9
Reclassification	(2.1)	--	2.1	--
2002 spending	(3.5)	(6.3)	(1.6)	(11.4)
2002 reserve reduction	(2.1)	(0.4)	(0.3)	(2.8)
Balance at December 28, 2002	$ 7.8	$ 1.1	$ 2.5	$ 11.4
2003 spending	(5.3)	(0.9)	(2.5)	(8.7)
2003 reserve reduction	(0.7)	--	--	(0.7)
Balance at January 3, 2004	$ 1.8	$ 0.2	$ 0.0	$ 2.0

NOTE 14: OTHER (EXPENSE) − NET

Other (expense) − net consists of the following:

	Fiscal Year Ended		
In thousands	January 3, 2004	December 28, 2002	December 29, 2001
Minority interest	$ (2,418)	$ (3,789)	$ (3,645)
Other	528	1,471	134
	$ (1,890)	$ (2,318)	$ (3,511)

NOTE 15: STOCK PLANS

In March 1992, March 2000 and March 2002, the Company adopted the "1992 Plan," the "2000 Plan" and the "2002 Plan," respectively, under which nonqualified options to acquire shares of common stock may be granted to officers, other key employees, consultants and, in the case of the 1992 and 2000 plans, outside directors selected by the Company's Compensation Committee ("the committee"). Payment by option holders upon exercise of an option may be made in cash or, with the consent of the committee, by delivering previously acquired shares of Company common stock or any other method approved by the committee. Stock appreciation rights may be granted in connection with all or any part of any option granted under the plans, and may also be granted without a grant of a stock option. The grantee of a stock appreciation right has the right, with the consent of the committee, to receive either in cash or in shares of common stock, an amount equal to the appreciation in the fair market value of the covered shares from the date of grant to the date of exercise. Options and rights are exercisable over a period of time designated by the committee and are subject to such other terms and conditions as the committee determines. Vesting schedules will be accelerated upon a change of control of the Company. Options and rights may generally not be transferred during the lifetime of a holder.

Awards under the 2000 and 2002 Plans may also be made in the form of incentive stock options, dividend equivalent rights, restricted stock, unrestricted stock and performance shares. Exercise prices for awards under the 2000 and 2002 Plans are determined by the committee; to date, all stock options have been granted at an exercise price not less than the quoted market value of the underlying shares on the date of grant.

The 2000 Plan provides for the issuance of up to 10,000,000 shares of common stock with respect to options, stock appreciation rights and other awards granted under the 2000 Plan. At January 3, 2004, there were available for future grant 1,731,000 shares under the 2000 Plan. No incentive stock options may be granted under the 2000 Plan after March 9, 2010. Upon shareholder approval of the 2000 Plan in May 2000, the Company ceased issuing grants under the 1992 Plan; awards made thereunder prior to its termination remain in effect in accordance with their terms.

The 2002 Plan provides for the issuance of up to 9,000,000 shares of common stock with respect to options, stock appreciation rights and other awards granted under the 2002 Plan. As of January 3, 2004 there were available for future grant 6,981,069 shares under the 2002 Plan. The 2002 plan expires in 2012.

Since January 1990, the Company has delivered treasury shares upon the exercise of stock options. The difference between the cost of the treasury shares, on a first-in, first-out basis, and the exercise price of the options has been reflected in stockholders' equity. If the exercise price of the options is higher than the cost of the treasury shares, the amount is reflected in capital in excess of par value. If the exercise price of the options is lower than the cost of the treasury shares, the amount is reflected in retained earnings.

Changes in common shares under option for the three fiscal years in the period ended January 3, 2004 are summarized as follows:

	2003		2002		2001	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Beginning of year	8,707,357	$ 23.00	7,584,482	$ 20.10	7,228,550	$ 18.23
Granted	3,364,981	28.56	3,266,175	26.21	3,851,000	22.08
Exercised	(2,283,668)	20.28	(1,784,524)	18.25	(2,363,076)	18.20
Cancelled	(605,288)	25.45	(358,776)	22.25	(1,131,992)	18.90
End of year	9,183,382	$ 25.55	8,707,357	$ 23.00	7,584,482	$ 20.10
Exercisable at end of year	2,291,063	$ 22.18	1,657,582	$ 19.95	1,179,594	$ 18.73
Weighted average fair value of options granted during the year		$ 10.44		$ 9.50		$ 9.49

The following table summarizes information about options outstanding at January 3, 2004:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding at Jan. 3, 2004	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable at Jan. 3, 2004	Weighted Average Exercise Price
$13.44 – $ 22.50	2,969,340	6.4 years	$ 21.31	1,606,690	$ 20.39
22.51 – 27.50	2,772,811	8.0 years	25.90	615,248	25.79
27.51 – 37.15	3,441,231	9.1 years	28.94	69,125	31.60
$13.44 – $ 37.15	9,183,382	7.9 years	$ 25.55	2,291,063	$ 22.18

In January 2001, May 2001 and March 2003, the committee granted a total of 116,966 shares of restricted stock issued under the 2000 Plan. As of January 3, 2004, 104,966 of these shares remained outstanding. In January 2004, the committee granted an additional 54,000 shares under the 2000 Plan. These shares are subject to restrictions on transfer and risk of forfeiture until earned by continued service and vest as follows: 20% on each of the third, fourth and fifth grant date anniversary, and the remaining 40% on the sixth grant date anniversary, with acceleration of vesting upon the achievement of certain financial and non–financial goals. The unearned compensation is being amortized over a period equal to the anticipated vesting period.

In January 2001, the committee authorized the grant of 1,034,000 shares of common stock to a group of key executives. Given that the total return on the Company's common stock exceeded that of a predetermined group of competitors for the period of January 1, 2001 through December 31, 2003, the expiration of the restrictions on 100% of such shares was accelerated as of December 31, 2003. During 2003, the Company recorded a charge to operating income of approximately $4 million as compensation expense to reflect such accelerations.

In 1998, the committee granted 733,300 shares of common stock to a group of key executives. As of January 3, 2004, 67,012 of these shares remained outstanding. These shares are subject to restrictions on transfer and subject to risk of forfeiture until earned by continued employment. The restrictions expire on July 6, 2007. Given that the total return on the Company's common stock exceeded that of a predetermined group of competitors for the period of January 1, 1998 through March 1, 2001, the expiration of the restrictions on 80% of such shares was accelerated as of March 1, 2001. During the first quarter of 2001, the Company recorded a charge to operating income of approximately $5 million as compensation expense to reflect such accelerations. The shares that did not vest on an accelerated basis remain restricted; the expiration of restrictions may be accelerated if the total return of the Company's common stock exceeds that of a predetermined group of competitors or upon the occurrence of certain other events. The unearned compensation on such unvested shares is being amortized over a period equal to the anticipated vesting period.

In November 2003, pursuant to the terms of his amended employment agreement, the Company issued to the CEO (a) 48,892 restricted shares, which shares vest in full on the first anniversary of grant, (b) performance shares with a three year performance cycle of 2003–2005 and with the actual number of shares to be paid out at the end of such cycle based upon the Company's achievement against EPS and total shareholder return targets for such period, with potential payouts ranging from 0 shares to 405,288 shares; and (c) options to acquire 33,481 shares of Common Stock.

The Company's outside directors' stock ownership plan provides non–employee directors, as part of their annual retainer, shares of common stock with a value of $15,000 on the first business day of each fiscal year. Effective January 2004, the Company's outside directors' stock ownership plan will provide non–employee directors, as part of their annual retainer, shares of common stock with a value of $75,000 on January 10 of each fiscal year. The shares so issued are nontransferable for a period of three years following the grant date, subject to certain exceptions. In 2003, 4,219 shares of common stock were issued under this plan. This plan also provides each non–employee director a grant of options to purchase 2,000 shares of common stock on the first business day of each fiscal year; effective January 2004, such options will no longer be granted to non–employee directors. Not more than one half of one percent (0.50%) of the shares of common stock outstanding from time to time may be issued under the plan, which will expire in 2006. Additionally, effective July 2000, each non–employee director is entitled to receive on the

first business day of each fiscal year a grant of options to purchase 4,000 shares under the 2000 Plan; effective January 2004, such options will no longer be granted to non-employee directors.

In January 2004, the committee authorized the grant of 710,000 shares of common stock to a group of key executives. These shares are subject to restrictions on transfer and subject to risk of forfeiture until earned by continued employment. The restrictions expire in January 2010. The expiration of restrictions may be accelerated if the total return on the Company's common stock exceeds that of a predetermined group of competitors or upon the occurrence of certain other events. The unearned compensation is being amortized over a period equal to the anticipated vesting period.

NOTE 16: PROFIT-SHARING RETIREMENT, SAVINGS AND DEFERRED COMPENSATION PLANS

The Company maintains a qualified defined contribution plan (the "401(k)/Profit Sharing Plan") for eligible U.S. employees of the Company and adopting affiliates, which has two component parts: a cash or deferred arrangement under section 401(k) of the Internal Revenue Code and a profit sharing portion. To be eligible to participate in either portion of the 401(k)/Profit Sharing Plan, employees must be at least age 21 and not covered by a collective bargaining agreement; there are additional eligibility and vesting rules for each of the 401(k)/Profit Sharing Plan components. As of January 1, 2002, full-time employees may begin to make pre-tax contributions and receive employer matching contributions to the 401(k) portion of the 401(k)/Profit Sharing Plan after six months of employment with the Company, while part-time employees must complete a 12-month period in which they are credited with 1,000 hours of service. To be eligible for the profit sharing component, an employee must have 12 months and 1,000 hours of service and a participant must be credited with 1,000 hours of service during, and be employed by the Company or one of its affiliates on the last day of, the calendar year to share in the profit sharing contribution for that year.

Company 401(k) matching contributions vest (i.e., become non-forfeitable) on a schedule of 20% for the first two years of elapsed service with the Company and its affiliates and 20% for each year of service thereafter. Profit sharing contributions, if any, are made annually at the discretion of the Board of Directors, and vest 100% after five years of elapsed service.

Under the 401(k) portion of the 401(k)/Profit Sharing Plan, participants may, subject to applicable IRS limitations, contribute from 1% to 15% (effective January 1, 2003, 1% to 50%) of their salaries on a pretax basis; the 401(k)/Profit Sharing Plan provides for automatic enrollment at a contribution rate of 3% when an eligible employee first becomes entitled to participate in the 401(k) portion of the 401(k)/Profit Sharing Plan, unless the employee elects otherwise. Participants' pretax contributions are matched at the rate of $0.50 for each dollar contributed by the participant that does not exceed 6% of eligible compensation.

The Company's aggregate 401(k)/Profit Sharing Plan contribution expense for 2003, 2002 and 2001, which is included in Selling, general & administrative expenses, was approximately $9,106,000, $9,789,000 and $7,731,000, respectively.

The Company has a non-qualified supplemental retirement plan for certain highly compensated employees whose benefits under the 401(k)/Profit Sharing Plan are expected to be constrained by the operation of certain Internal Revenue Code limitations. The supplemental plan provides a benefit equal to the difference between the contribution that would be made for an executive under the tax-qualified plan absent such limitations and the actual contribution under that plan. The supplemental plan also allows certain highly compensated employees to defer up to 15% (effective January 1, 2003, up to 50%) of their base salary and up to 100% of their annual bonus. Supplemental benefits attributable to participant deferrals are fully vested at all times and the balance of a participant's benefits vests on the same basis as the matching contribution under the 401(k)/Profit Sharing Plan. This supplemental plan is not funded. As of January 1, 2002, the Company established an irrevocable "rabbi" trust to which the Company plans to make contributions to provide a source of funds to assist in meeting its obligations under the plan. The principal of the trust, and earnings thereon, are to be used exclusively for the participants under the plan, subject to the claims of the Company's general creditors. The Company's expenses related to these plans, which are included in Selling, general & administrative expenses, were approximately $36,000, $502,000 and $13,000 in 2003, 2002 and 2001, respectively.

The Company has established for a senior executive an unfunded deferred compensation arrangement which accrues over a ten-year period as of the first day of each fiscal year beginning in 1996, based on an amount equal to 15% of the sum of the senior executive's base salary and bonus. The then accrued amount plus earnings will become fully vested at the end of the 2004 fiscal year. Amounts credited in 2005 and 2006 become fully vested on December 31, 2006, provided the senior executive is the Chairman of the Board and Chief Executive Officer of the Company on such date. This arrangement also provides for the deferral of an amount equal to the portion of the executive's base salary that exceeds $1 million. The deferred amount plus earnings will be fully vested at all times.

NOTE 17: STOCKHOLDER RIGHTS PLAN

In December 1998, the Company adopted a new Stockholder Rights Plan to replace the then expiring plan originally adopted in December 1988. Under the new Plan, one preferred stock purchase right is attached to each share of common stock outstanding. The rights are nominally exercisable under certain circumstances, to buy 1/100 share of a newly created Series A Junior Participating Preferred Stock for $150. If any person or group (referred to as an "Acquiring Person") becomes the beneficial owner of 15% or more of the Company's common stock (20% or more in the case of certain acquisitions by institutional investors), each right, other than rights held by the Acquiring Person which become void, will become exercisable for common stock having a market value of twice the exercise price of the right. If anyone becomes an Acquiring Person and afterwards the Company or 50% or more of its assets is acquired in a merger, sale or other business combination, each right (other than voided rights) will become exercisable for common stock of the acquirer having a market value of twice the exercise price of the right. The rights, which expire on December 21, 2008, and do not have voting rights, may be amended by the Company's Board of Directors and redeemed by the Company at $0.01 per right at any time before any person or group becomes an Acquiring Person.

NOTE 18: EARNINGS PER COMMON SHARE

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

	Fiscal Year Ended		
In thousands	January 3, 2004	December 28, 2002	December 29, 2001
Net income	$ 279,693	$ 231,165	$ 192,057
Weighted average common shares outstanding	107,451	105,592	103,994
Effect of dilutive securities:			
Stock options and restricted stock grants	2,168	1,604	1,057
Weighted average common shares and common share equivalents	109,619	107,196	105,051

NOTE 19: CONSOLIDATED STATEMENTS OF CASH FLOWS SUPPLEMENTARY DISCLOSURES

During fiscal 2003, 2002 and 2001, the Company made income tax payments of approximately $153,683,000, $109,536,000 and $83,851,000, respectively. The Company made interest payments of approximately $27,808,000, $23,939,000 and $15,093,000 in 2003, 2002 and 2001, respectively. There were no other non-cash activities in the twelve months ended January 3, 2004. Other non-cash activities in the twelve months ended December 28, 2002 include the reclassification of $15.0 million from Other Non-Current Liabilities to Accrued expenses and a $27.2 million liability included in Accrued expenses associated with a future payment related to the Lucky Brand and Mexx Canada acquisitions.

NOTE 20: SEGMENT REPORTING

The Company operates the following business segments: Wholesale Apparel, Wholesale Non-Apparel and Retail. The Wholesale Apparel segment consists of women's and men's apparel designed and marketed worldwide under various trademarks owned by the Company or licensed by the Company from third-party owners, including wholesale sales of women's, men's and children's apparel designed and marketed in Europe, Canada, the Asia-Pacific Region and the Middle East under the Mexx brand names. The Wholesale Non-Apparel segment consists of accessories, jewelry and cosmetics designed and marketed worldwide under certain owned or licensed trademarks. The Retail segment consists of the Company's worldwide retail operations that sell most of these apparel and non-apparel products to the public through the Company's specialty retail stores, outlet stores, and concession stores. As a result of the Company's 2001 acquisition of Mexx, the Company also presents its results on a geographic basis between Domestic (wholesale customers and Company specialty retail and outlet stores located in the United States) and International (wholesale customers and Company specialty retail, outlet and concession stores located outside of the United States). The Company, as licensor, also licenses to third parties the right to produce and market products bearing certain Company-owned trademarks; the resultant royalty income is not allocated to any of the specified operating segments, but is rather included in the line "Sales from external customers" under the caption "Corporate/ Eliminations."

The Company evaluates performance and allocates resources based on operating profits or losses. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in its 2003 Annual Report on Form 10-K. Intersegment sales are recorded at cost. There is no intercompany profit or loss on intersegment sales, however, the wholesale segments are credited with their proportionate share of the operating profit generated by the Retail segment. The profit credited to the wholesale segments from the Retail segment is eliminated in consolidation.

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

	January 3, 2004				
In thousands	Wholesale Apparel	Wholesale Non-Apparel	Retail	Corporate/ Eliminations	Totals
NET SALES:					
Total net sales	$ 2,985,497	$ 558,642	$ 838,395	$ (141,419)	$ 4,241,115
Intercompany sales	(151,238)	(20,669)	--	171,907	--
Sales from external customers	$ 2,834,259	$ 537,973	$ 838,395	$ 30,488	$ 4,241,115
Depreciation and amortization expense	$ 69,324	$ 6,369	$ 28,028	$ 1,260	$ 104,981
OPERATING INCOME:					
Total operating income (loss)	$ 349,137	$ 68,884	$ 90,829	$ (38,060)	$ 470,790
Intercompany segment operating (income) loss	(46,699)	(12,015)	--	58,714	--
Segment operating income from external customers	$ 302,438	$ 56,869	$ 90,829	$ 20,654	$ 470,790
Segment assets	$ 2,006,673	$ 170,315	$ 524,721	$ 186,390	$ 2,888,099
Expenditures for long-lived assets	183,053	2,243	46,948	--	232,244

In thousands	Wholesale Apparel	Wholesale Non-Apparel	Retail	Corporate/ Eliminations	Totals
	December 28, 2002				
NET SALES:					
Total net sales	$ 2,660,287	$ 511,622	$ 718,642	$ (173,048)	$ 3,717,503
Intercompany sales	(168,452)	(25,450)	--	193,902	--
Sales from external customers	$ 2,491,835	$ 486,172	$ 718,642	$ 20,854	$ 3,717,503
Depreciation and amortization expense	$ 68,526	$ 5,745	$ 20,757	$ 1,367	$ 96,395
OPERATING INCOME:					
Total operating income (loss)	$ 323,179	$ 47,148	$ 60,680	$ (41,119)	$ 389,888
Intercompany segment operating (income) loss	(39,331)	(13,041)	--	52,372	--
Segment operating income from external customers	$ 283,848	$ 34,107	$ 60,680	$ 11,253	$ 389,888
Segment assets	$ 1,477,053	$ 176,728	$ 430,201	$ 460,605	$ 2,544,587
Expenditures for long-lived assets	238,687	960	51,268	--	290,915

In thousands	Wholesale Apparel	Wholesale Non-Apparel	Retail	Corporate/ Eliminations	Totals
	December 29, 2001				
NET SALES:					
Total net sales	$ 2,532,927	$ 496,080	$ 615,714	$ (196,199)	$ 3,448,522
Intercompany sales	(190,310)	(22,518)	--	212,828	--
Sales from external customers	$ 2,342,617	$ 473,562	$ 615,714	$ 16,629	$ 3,448,522
Depreciation and amortization expense	$ 70,318	$ 6,795	$ 20,476	$ 3,902	$ 101,491
OPERATING INCOME:					
Total operating income (loss)	$ 287,760	$ 46,150	$ 69,284	$ (71,477)	$ 331,717
Intercompany segment operating (income) loss	(49,347)	(12,526)	--	61,873	--
Segment operating income (loss) from external customers	$ 238,413	$ 33,624	$ 69,284	$ (9,604)	$ 331,717
Segment assets	$ 1,512,923	$ 166,721	$ 358,677	$ 189,339	$ 2,227,660
Expenditures for long-lived assets	144,998	3,473	126,484	--	274,955

In the "Corporate/Eliminations" column of each period presented, the segment assets consist primarily of corporate buildings, machinery and equipment and licenses and trademarks purchased by the Company. The segment operating loss consists primarily of the elimination of the profit transfer from the Retail segment to the wholesale segments, and, in 2001, $15,050,000 of restructuring charges.

	January 3, 2004		December 28, 2002		December 29, 2001	
In thousands	Domestic	International	Domestic	International	Domestic	International
Sales from external customers	$ 3,304,614	$ 936,501	$ 3,037,325	$ 680,178	$ 3,031,318	$ 417,204
Depreciation and amortization expense	82,486	22,495	82,629	13,766	87,498	13,993
Segment operating income	382,542	88,248	336,056	53,832	290,357	41,360
Segment assets	2,102,806	785,293	1,925,216	647,332	1,746,660	481,000
Expenditures for long-lived assets	186,743	45,501	235,827	55,088	46,420	228,535

A reconciliation to adjust segment assets to consolidated assets follows:

In thousands	January 3, 2004	December 28, 2002	December 29, 2001
Total segment assets	$ 2,888,099	$ 2,544,587	$ 2,227,660
Intercompany receivables	(25,004)	(16,067)	(18,200)
Investments in wholly-owned subsidiaries	(249,473)	(249,473)	(298,128)
Other	(6,623)	(10,690)	39,923
Total consolidated assets	$ 2,606,999	$ 2,268,357	$ 1,951,255

NOTE 21: OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive loss is comprised the effects of foreign currency translation and changes in unrealized gains and losses on securities as detailed below:

In thousands	January 3, 2004	December 28, 2002
Foreign currency translation (loss)	$ (48,192)	$ (21,644)
(Losses) on cash flow hedging derivatives	(10,071)	(6,109)
Unrealized gains (losses) on securities	8,056	(564)
Accumulated other comprehensive (loss), net of tax	$ (50,207)	$ (28,317)

The losses on cash flow hedging derivatives are reclassified to current year gain or loss each year due to the short lives of these instruments.

The following table contains the components of the adjustment to unrealized (losses) on available-for-sale securities included in the Consolidated Statements of Retained Earnings, Comprehensive Income and Changes in Capital Accounts.

In thousands	January 3, 2004	December 28, 2002	December 29, 2001
Unrealized holding gain (loss) on available-for-sale securities, net of tax	$ 8,620	$ 2,384	$ (2,368)

NOTE 22: RECENT ACCOUNTING PRONOUNCEMENTS

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that Statement, SFAS No. 64, "Extinguishment of Debt Made to Satisfy Sinking-Fund Requirements." This Statement also rescinds SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers." This Statement amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings or describe their applicability under changed conditions. The Company adopted the provisions of SFAS No. 145 upon its effective date.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This statement also established that fair value is the objective for initial measurement of the liability. The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The Company adopted the provisions of SFAS No. 146 effective December 29, 2002.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair market value of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The initial recognition and measurement provisions of FIN 45 apply on a prospective basis to guarantees issued or modified after December 31, 2002. The Company has implemented the disclosure provisions of FIN 45 in its December 28, 2002 financial statements. The adoption of FIN 45 did not have a material impact on the Company's financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities (an interpretation of ARB No. 51)," which was revised in December 2003 ("FIN 46"). FIN 46 addresses consolidation by business enterprises of certain variable interest entities, commonly referred to as special purpose entities. The counterparty to the synthetic lease does not meet the definition of a variable interest entity in FIN 46, therefore, the adoption of FIN 46 did not have a material impact on the Company's financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," to require more consistent reporting of contracts as either derivatives or hybrid instruments. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. The Company adopted SFAS No. 149 on June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on the Company's results of operations and financial position.

In May 2003, the FASB issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and for interim periods beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on the Company's results of operations and financial position.

NOTE 23: RELATED PARTY TRANSACTIONS

During 2003, the Company shipped goods to the specialty retailer Barneys New York, Inc. ("Barneys"), of which Howard Socol (a Director of the Company) is the Chairman, President and CEO. The net sales to Barneys in 2003 amounted to approximately $1.2 million. The amount represents approximately 0.3% of such company's 2003 revenue.

During 2003, 2002 and 2001, the Company paid the law firm, Kramer, Levin, Naftalis & Frankel LLP, of which Kenneth P. Kopelman (a Director of the Company) is a partner, approximately $2.35 million, $1.52 million and $872,000, respectively, for fees incurred in connection with legal services provided to the Company. The 2003 amount represents approximately 1% of such firm's 2003 fee revenue.

The foregoing transactions between the Company and these entities were effected on an arm's-length basis, with services provided at fair market value.

During 2003, 2002 and 2001, the Company leased a certain office facility from Amex Property B.V. ("Amex"), a company whose principal owner is Rattan Chadha, President and Chief Executive Officer of Mexx, under a 20-year lease agreement. The space houses the principal headquarters of Mexx Group B.V. in Voorschoten, Netherlands. The rental paid to Amex during fiscal years 2003 and 2002 and for the period of May 23, 2001 through December 29, 2001 was 614,000, 628,000 and 365,000 Euros, respectively (or $696,000, $594,000 and $324,000, respectively, based on the exchange rates in effect during such periods).

During 2003 and 2002, the Company leased a factory outlet and warehouse as well as an office and inventory liquidation center from RAKOTTA HOLDINGS Inc. ("RAKOTTA"), a company whose principal owner is Joseph Nezri, President of MEXX Canada Inc., under two lease agreements expiring January 30, 2006. The rent paid to RAKOTTA during fiscal year 2003 and for the period July 9, 2002 through December 28, 2002 was approximately 762,000 and 452,000 Canadian dollars, respectively (or $544,000 and $289,000, respectively, based on the exchange rates in effect during such periods).

The Company believes that each of the transactions described above was effected on terms no less favorable to the Company than those that would have been realized in transactions with unaffiliated entities or individuals.

NOTE 24: LEGAL PROCEEDINGS

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

In January 1999, two actions were filed in California naming as defendants more than a dozen United States-based apparel companies that source garments from Saipan (Commonwealth of the Northern Mariana Islands) and a large number of Saipan-based garment factories. The actions assert that the Saipan factories engage in unlawful practices relating to the recruitment and employment of foreign workers and that the apparel companies, by virtue of their alleged relationship with the factories, have violated various federal and state laws. One action, filed in California Superior Court in San Francisco by a union and three public interest groups, alleges unfair competition and false advertising (the "State Court Action"). The State Court Action seeks equitable relief, unspecified amounts for restitution and disgorgement of profits, interest and an award of attorney's fees. The second, filed in the United States District Court for the Central District of California, and later transferred to the District of Hawaii and, in Spring 2001, to the United States District Court for the District of the Northern Mariana Islands, is brought on behalf of a purported class consisting of the Saipan factory workers (the "Federal Action"). The Federal Action alleges claims under the civil RICO statute and the Alien Tort Claims Act, premised on supposed violations of the federal anti-peonage and indentured servitude statutes, as well as other violations of Saipan and international law, and seeks equitable relief and unspecified damages, including treble and punitive damages, interest and an award of attorney's fees. A third action, brought in Federal Court in Saipan solely against the garment factory defendants on behalf of a putative class of their workers, alleges violations of federal and Saipanese wage and employment laws (the "FLSA Action").

The Company sources products in Saipan but was not named as a defendant in the actions. The Company and certain other apparel companies not named as defendants were advised in writing, however, that they would be added as parties if a consensual resolution of the complaint claims could not be reached. In the wake of that notice, which was accompanied by a draft complaint, the Company entered into settlement negotiations and subsequently entered into an agreement to settle all claims that were or could have been asserted in the Federal or State Court Actions. Eighteen other apparel companies also settled these claims at that time. As part of the settlement, the Company was named as a defendant, along with certain other settling apparel companies, in a Federal Court action styled Doe I, et al. v. Brylane, L.P. et al. (the "Brylane Action"), currently pending in the United States District Court for the District of the Northern Mariana Islands. The Brylane Action mirrors portions of the larger Federal Action but does not include RICO and certain of the other claims alleged in that case.

After the transfer of the Federal Action and the Brylane Action to Saipan, the Court ruled on and denied in most material respects the non-settling defendants' motion to dismiss the Federal Action. The court in Saipan held a hearing on February 14, 2002 on Plaintiffs' motions to certify the proposed class and to preliminarily approve the settlement. On May 10, 2002, the court issued an opinion and order granting preliminary approval of the settlement and of similar settlements with certain other retailers and also certifying the proposed class. The Ninth Circuit Court of Appeals subsequently denied the non-settling defendants' petition for interlocutory review of the grant of class certification. At the end of September 2002, plaintiffs and all of the factory and retailer non-settling defendants other than Levi Strauss & Co. reached agreement to settle the Federal Action, the State Court Action and the FLSA action. At a hearing held on October 31, 2002, the Court granted conditional preliminary approval of the September 2002 settlement and scheduled a Fairness Hearing to determine whether to grant final approval to the prior settlement agreements and the September 2002 settlement. The Fairness Hearing was held on March 22, 2003. At the conclusion, the Court reserved final decision on whether to approve the settlement agreements and the September 2002 settlement. On April 23, 2003, the Court entered an Order and Final Judgment Approving Settlement and Dismissing with Prejudice the Brylane Action. Management is of the opinion that implementation of the terms of the approved settlement will not have a material adverse effect on the Company's financial position or results of operations.

NOTE 25: UNAUDITED QUARTERLY RESULTS

Unaudited quarterly financial information for 2003 and 2002 is set forth in the table below:

In thousands except	March		June		September		December	
per share data	2003	2002	2003	2002	2003	2002	2003	2002
Net sales	$1,075,599	$ 892,893	$ 959,417	$ 789,517	$1,174,192	$1,041,200	$1,031,907	$ 993,893
Gross profit	455,769	366,098	425,775	352,631	519,889	457,642	488,358	443,264
Net income	64,132	50,913	44,616	38,804	97,879	83,490	73,066 (1)	57,958 (2)
Basic earnings per share	$ .60	$ .49	$ .42	$ .37	$ .91	$ .79	$ .67 (1)	$ .55 (2)
Diluted earnings per share	$ .59	$ .48	$ .41	$ .36	$ .89	$ .78	$ .66 (1)	$ .54 (2)
Dividends paid per common share	$ .06	$ .06	$ .06	$ .06	$ .06	$ .06	$ .06	$ .06

(1) Includes the after tax effect of a restructuring gain of $429 ($672 pretax) or $.004 per share.
(2) Includes the after tax effect of a restructuring charge of $4,547 ($7,130 pretax) or $.04 per share.

SCHEDULE II − VALUATION AND QUALIFYING ACCOUNTS
Liz Claiborne, Inc. and Subsidiaries

Column A	Column B	Column C		Column D	Column E
		Additions			
(In thousands) Description	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts − Describe	Deductions − Describe	Balance at End of Period
YEAR ENDED JANUARY 3, 2004					
Accounts Receivable − allowance for doubtful accounts	$ 3,777	$ 150	$ −−	$ 1,074 (A)	$ 2,853
Restructuring Reserve	$ 11,377	$ −−	$ (672)(C)	$ 8,736 (B)	$ 1,969
YEAR ENDED DECEMBER 28, 2002					
Accounts Receivable − allowance for doubtful accounts	$ 4,173	$ 917	$ −−	$ 1,313 (A)	$ 3,777
Restructuring Reserve	$15,748	$ 9,942	$ (2,812)(C)	$ 11,501 (B)	$ 11,377
YEAR ENDED DECEMBER 29, 2001					
Accounts Receivable − allowance for doubtful accounts	$ 2,695	$ 2,391	$ −−	$ 913 (A)	$ 4,173
Restructuring Reserve	$ 19,438	$ 18,950	$ (3,900)(C)	$ 18,740 (B)	$ 15,748

Notes:

(A) Uncollectible accounts written off, less recoveries.

(B) Charges to the restructuring reserve are for the purposes for which the reserve was created.

(C) This amount of the restructuring reserve was deemed to no longer be necessary. As a result, this amount was taken as a reduction to the restructuring charge through earnings for the applicable fiscal year.

INDEX TO EXHIBITS

Exhibit No.	Description
2(a)	– Share Purchase Agreement, dated as of May 15, 2001, among Liz Claiborne, Inc., Liz Claiborne 2 B.V., LCI Acquisition U.S., and the other parties signatory thereto (incorporated herein by reference from Exhibit 2.1 to Registrant's Form 8–K dated May 23, 2001 and amended on July 20, 2001).
3(a)	– Restated Certificate of Incorporation of Registrant (incorporated herein by reference from Exhibit 3(a) to Registrant's Quarterly Report on Form 10–Q for the period ended June 26, 1993).
3(b)	– By–laws of Registrant, as amended (incorporated herein by reference from Exhibit 3(b) to the Registrant's Annual Report on Form 10–K for the fiscal year ended December 26, 1992 [the "1992 Annual Report"]).
4(a)	– Specimen certificate for Registrant's Common Stock, par value $1.00 per share (incorporated herein by reference from Exhibit 4(a) to the 1992 Annual Report).
4(b)	– Rights Agreement, dated as of December 4, 1998, between Registrant and First Chicago Trust Company of New York (incorporated herein by reference from Exhibit 1 to Registrant's Form 8–A dated as of December 4, 1998).
4(b)(i)	– Amendment to the Rights Agreement, dated November 11, 2001, between Registrant and The Bank of New York, appointing The Bank of New York as Rights Agent (incorporated herein by reference from Exhibit 1 to Registrant's Form 8–A12B/A dated as of January 30, 2002).
4(c)	– Agency Agreement between Liz Claiborne, Inc., Citibank, N.A. and Dexia Banque Internationale A. Luxembourg (incorporated herein by reference from Exhibit 10 to Registrant's Form 10–Q for the period ended June 30, 2001).
10(a)	– Reference is made to Exhibit 4(b) filed hereunder, which is incorporated herein by this reference.
10(b)	– Lease, dated as of January 1, 1990 (the "1441 Lease"), for premises located at 1441 Broadway, New York, New York between Registrant and Lechar Realty Corp. (incorporated herein by reference from Exhibit 10(n) to Registrant's Annual Report on Form 10–K for the fiscal year ended December 29, 1990).
10(b)(i)	– First Amendment: Lease Extension and Modification Agreement, dated as of January 1, 1998, to the 1441 Lease (incorporated herein by reference from Exhibit 10(k) (i) to the 1999 Annual Report).
10(b)(ii)	– Second Amendment to Lease, dated as of September 19, 1998, to the 1441 Lease (incorporated herein by reference from Exhibit 10(k) (i) to the 1999 Annual Report).
10(b)(iii)	– Third Amendment to Lease, dated as of September 24, 1999, to the 1441 Lease (incorporated herein by reference from Exhibit 10(k) (i) to the 1999 Annual Report).
10(b)(iv)	– Fourth Amendment to Lease, effective as of July 1, 2000, to the 1441 Lease (incorporated herein by reference from Exhibit 10(j)(iv) to the 2002 Annual Report).

Exhibit No.	Description
10(b)(v)*	– Fifth Amendment to Lease.
10(c)+*	– National Collective Bargaining Agreement, made and entered into as of June 1, 2003, by and between Liz Claiborne, Inc. and the Union of Needletrades, Industrial and Textile Employees (UNITE) for the period June 1, 2003 through May 31, 2006.
10(d)+*	– Description of Liz Claiborne, Inc. 2003 Salaried Employee Incentive Bonus Plan.
10(e)+	– The Liz Claiborne 401(k) Savings and Profit Sharing Plan, as amended and restated (incorporated herein by reference from Exhibit 10(g) to Registrant's Annual Report on Form 10–K for the fiscal year ended December 28, 2002).
10(e)(i)+*	– First Amendment to the Liz Claiborne 401(k) Savings and Profit Sharing Plan.
10(e)(ii)+*	– Second Amendment to the Liz Claiborne 401(k) Savings and Profit Sharing Plan.
10(e)(iii)+*	– Third Amendment to the Liz Claiborne 401(k) Savings and Profit Sharing Plan.
10(e)(iv)+*	– Trust Agreement dated as of October 1, 2003 between Liz Claiborne, Inc. and Fidelity Management Trust Company.
10(f)+	– Liz Claiborne, Inc. Amended and Restated Outside Directors' 1991 Stock Ownership Plan (the "Outside Directors' 1991 Plan") (incorporated herein by reference from Exhibit 10(m) to Registrant's Annual Report on Form 10–K for the fiscal year ended December 30, 1995 [the "1995 Annual Report"]).
10(f)(i)+*	– Amendment to the Outside Directors' 1991 Plan, effective as of December 18, 2003.
10(f)(ii)+	– Form of Option Agreement under the Outside Directors' 1991 Plan (incorporated herein by reference from Exhibit 10(m)(i) to the 1996 Annual Report).
10(g)+	– Liz Claiborne, Inc. 1992 Stock Incentive Plan (the "1992 Plan") (incorporated herein by reference from Exhibit 10(p) to Registrant's Annual Report on Form 10–K for the fiscal year ended December 28, 1991.
10(g)(i)+	– Form of Restricted Career Share Agreement under the 1992 Plan (incorporated herein by reference from Exhibit 10(a) to Registrant's Quarterly Report on Form 10–Q for the period ended September 30, 1995).
10(g)(ii)+	– Form of Restricted Transformation Share Agreement under the 1992 Plan (incorporated herein by reference from Exhibit 10(s) to the 1997 Annual Report).
10(h)+	– Liz Claiborne, Inc. 2000 Stock Incentive Plan (the "2000 Plan") (incorporated herein by reference from Exhibit 4(e) to Registrant's Form S–8 dated as of January 25, 2001).
10(h)(i)+*	– Amendment 1 to the 2000 Plan.
10(h)(ii)+	– Form of Option Grant Certificate under the 2000 Plan (incorporated herein by reference from Exhibit 10(z)(i) to the 2000 Annual Report).

\+ Compensation plan or arrangement required to be noted as provided in Item 14(a)(3).
* Filed herewith.

Exhibit No.	Description
10(h)(iii)+	– Form of Executive Team Leadership Restricted Share Agreement under the Liz Claiborne, Inc. 2000 Stock Incentive Plan (the "2000 Plan")(incorporated herein by reference from Exhibit 10(a) to Registrant's Form 10–Q for the period ended September 29, 2001 [the "3rd Quarter 2001 10–Q"]).
10(h)(iv)+	– Form of Restricted Key Associates Performance Shares Agreement under the 2000 Plan (incorporated herein by reference from Exhibit 10(b) to the 3rd Quarter 2001 10–Q).
10(i)+	– Liz Claiborne, Inc. 2002 Stock Incentive Plan (the "2002 Plan") (incorporated herein by reference from Exhibit 10(y)(i) to Registrant's Form 10–Q for the period ended June 29, 2002 [the "2nd Quarter 2002 10–Q"]).
10(i)(i)+	– Amendment No. 1 to the 2002 Plan (incorporated herein by reference from Exhibit 10(y)(iii) to the 2nd Quarter 2002 10–Q).
10(i)(ii)+*	– Amendment 2 to the 2002 Plan.
10(i)(iii)+*	– Amendment 3 to the 2002 Plan.
10(i)(iv)+	– Form of Option Grant Certificate under the 2002 Plan (incorporated herein by reference from Exhibit 10(y)(ii) to the 2nd Quarter 2002 10–Q).
10(i)(v)+*	– Form of Restricted Share Agreement for "Growth" Shares program under the 2002 Plan.
10(j)+	– Description of Supplemental Life Insurance Plans (incorporated herein by reference from Exhibit 10(q) to the 2000 Annual Report).
10(k)+	– Amended and Restated Liz Claiborne ss.162(m) Cash Bonus Plan (incorporated herein by reference from Exhibit 10.1 to Registrant's Form 10Q filed August 15, 2003).
10(l)+	– Liz Claiborne, Inc. Supplemental Executive Retirement Plan effective as of January 1, 2002, constituting an amendment, restatement and consolidation of the Liz Claiborne, Inc. Supplemental Executive Retirement Plan and the Liz Claiborne, Inc. Bonus Deferral Plan.
10(l)(i)+	– Trust Agreement dated as of January 1, 2002, between Liz Claiborne, Inc. and Wilmington Trust Company (incorporated herein by reference from Exhibit 10(t)(i) to the 2002 Annual Report).
10(m)+	– Employment Agreement dated as of November 3, 2003, between Registrant and Paul R. Charron (the "Charron Agreement") (incorporated herein by reference from Exhibit 10.1 to Registrant's Current Report on Form 8–K dated November 5, 2003 [the "November 5, 2003 Form 8–K"]).
10(m)(i)+	– The Liz Claiborne Retirement Income Accumulation Plan for the benefit of Mr. Charron [the "Accumulation Plan"]), dated as of September 19, 1996 (incorporated herein by reference from Exhibit 10(y)(ii) to the 1996 Annual Report).

\+ Compensation plan or arrangement required to be noted as provided in Item 14(a)(3).
* Filed herewith.

Exhibit No.	Description
10(m)(ii)+	– Amendment to the Accumulation Plan, dated January 3, 2002 (incorporated herein by reference from Exhibit 10(u)(iii) to the 2002 Annual Report).
10(m)(iii)+	– Amendment No. 2 to the Accumulation Plan, effective as of November 3, 2003 (incorporated herein by reference from Exhibit 10.2 to the November 5, 2003 Form 8–K).
10(m)(iv)+	– Change of Control Agreement, between Registrant and Paul R. Charron (incorporated herein by reference from Exhibit (v)(iii) to the 2000 Annual Report).
10(m)(v)+	– First Amendment to the Executive Termination Benefits Agreement (Change of Control Agreement) between Registrant and Paul R. Charron, effective as of November 3, 2003 (incorporated herein by reference from Exhibit 10.3 to the November 5, 2003 Form 8–K).
10(m)(vi)+	– Stock Option Certificate, dated November 3, 2003 issued to Paul R. Charron under Registrant's 2002 Stock Incentive Plan (incorporated herein by reference from Exhibit 10.4 to the November 5, 2003 Form 8–K).
10(m)(vii)+	– Restricted Share Agreement under the 2000 Plan, dated as of November 3, 2003, between Registrant and Paul R. Charron (incorporated herein by reference from Exhibit 10.4 to the November 5, 2003 Form 8–K).
10(m)(viii)+	– Performance Share Agreement under the 2002 Plan, dated as of November 3, 2003, between Registrant and Paul R. Charron (incorporated herein by reference from Exhibit 10.6 to the November 5, 2003 Form 8–K).
10(n)+	– Change of Control Agreement, between Registrant and Angela J. Ahrendts.
10(o)+	– Change of Control Agreement, between Registrant and Trudy F. Sullivan.
10(p)	– Three Year Revolving Credit Agreement, dated as of October 21, 2002, among Registrant, various lending parties and JPMorgan Chase Bank (as administrative agent) (incorporated herein by reference from Exhibit 10(z)(i) to Registrant's October 21, 2002 Quarterly Report on Form 10–Q for the period ended September 28, 2002 [the "3rd Quarter 2002 10–Q"]).

\+ Compensation plan or arrangement required to be noted as provided in Item 14(a)(3).
* Filed herewith.

Exhibit No.	Description
10(q)*	– 364–Day Revolving Credit Agreement, dated as of October 17, 2003, among Registrant, various lending parties and JPMorgan Chase Bank (as administrative agent).
21*	– List of Registrant's Subsidiaries.
23*	– Consent of Independent Public Accountants.
31(a)*	– Rule 13a–14(a) Certification of Chief Executive Officer of the Company in accordance with Section 302 of the Sarbanes–Oxley Act of 2002.
31(b)*	– Rule 13a–14(a) Certification of Chief Financial Officer of the Company in accordance with Section 302 of the Sarbanes–Oxley Act of 2002.
32(a)*#	– Certification of Chief Executive Officer of the Company in accordance with Section 906 of the Sarbanes–Oxley Act of 2002.
32(b)*#	– Certification of Chief Financial Officer of the Company in accordance with Section 906 of the Sarbanes–Oxley Act of 2002.
99*	– Undertakings.

\+ Compensation plan or arrangement required to be noted as provided in Item 14(a)(3).
* Filed herewith.
\# A signed original of this written statement required by Section 906 has been provided by the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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EXHIBIT 99

To Be Incorporated By Reference Into
Registration Statements on Forms S-8
(File Nos. 2-77590, 2-95258, 033-00661, 33-51257, 033-63859, 333-09851, 333-48423, 333-54560 and 333-105527)

UNDERTAKINGS

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(h) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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EXHIBIT 21

SUBSIDIARIES OF LIZ CLAIBORNE, INC.

Claiborne Limited	Hong Kong
Cleo Acquisition	Delaware
DB Newco Corp.	Delaware
Juicy Couture, Inc.	California
L.C. Augusta, Inc.	Delaware
L.C. Caribbean Holdings, Inc.	Delaware
L.C. Dyeing, Inc.	Delaware
L.C. Libra, LLC	Delaware
L.C. Licensing, Inc.	Delaware
L.C. Service Company, Inc.	Delaware
L.C. Special Markets, Inc.	Delaware
L.C.K.C., LLC	Delaware
LC/QL Investments, Inc.	Delaware
LCI Acquisition U.S., Inc.	Delaware
LCI Holdings, Inc.	Delaware
LCI Investments, Inc.	Delaware
LCI Laundry, Inc.	California
Liz Claiborne 1 B.V.	Netherlands
Liz Claiborne 2 B.V.	Netherlands
Liz Claiborne Accessories, Inc.	Delaware
Liz Claiborne Accessories–Sales, Inc.	Delaware
Liz Claiborne B.V.	Netherlands
Liz Claiborne (Canada) Limited	Canada
Liz Claiborne Columbia, Ltda.	Columbia
Liz Claiborne Cosmetics, Inc.	Delaware
Liz Claiborne De El Salvador, S.A., de C.V.	El Salvador
Liz Claiborne de Mexico, S.A. de C.V.	Mexico
Liz Claiborne do Brasil Industria E Comercio Ltda.	Brazil
Liz Claiborne Europe	U.K.
Liz Claiborne Export, Inc.	Delaware
Liz Claiborne Foreign Holdings, Inc.	Delaware
Liz Claiborne Foreign Sales Corporation	US Virgin Islands
Liz Claiborne GmbH	Germany
Liz Claiborne International Limited	Hong Kong
Liz Claiborne (Israel) Ltd.	Israel
Liz Claiborne Japan, Inc.	Delaware
Liz Claiborne (Malaysia) SDN.BHD	Malaysia
Liz Claiborne Operations (Israel) 1993 Limited	Israel
Liz Claiborne Puerto Rico, Inc.	Delaware
Liz Claiborne Sales, Inc.	Delaware
Liz Claiborne, S.A.	Costa Rica
Liz Claiborne Shoes, Inc.	Delaware
Liz Claiborne–Texas, Inc.	Delaware
Lucky Brand Dungarees, Inc.	Delaware
Lucky Brand Dungarees Stores, Inc.	Delaware
Mexx Canada, Inc.	Canada
Mexx International Holdings B.V.	Netherlands
Monet International, Inc.	Delaware
Monet Puerto Rico, Inc.	Delaware
Segrets, Inc.	Delaware
Segrets Stores, Inc.	Delaware
Textiles Liz Claiborne Guatemala, S.A.	Guatemala

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Exhibit 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 2−77590, 2−95258, 033−00661, 33−51257, 033−63859, 333−09851, 333−48423, 333−54560 and 333−105527 of Liz Claiborne, Inc. on Form S−8 of our report dated February 26, 2004, (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the change in method of accounting for goodwill and other intangibles to conform to Statement of Financial Accounting Standards No. 142), relating to the consolidated financial statements of Liz Claiborne, Inc. and subsidiaries as of and for the years ended January 3, 2004 and December 28, 2002 appearing in this Annual Report on Form 10−K of Liz Claiborne, Inc. for the year ended January 3, 2004.

/s/ Deloitte & Touche, LLP
New York, New York
March 9, 2004

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EXHIBIT 31(a)

SECTION 302 CERTIFICATION

I, Paul R. Charron, certify that:

1. I have reviewed this annual report on Form 10-K of Liz Claiborne, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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. (intentionally omitted)

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2004

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

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EXHIBIT 31(b)

SECTION 302 CERTIFICATION

I, Michael Scarpa, certify that:

1. I have reviewed this annual report on Form 10-K of Liz Claiborne, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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. (intentionally omitted)

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2004

/s/ Michael Scarpa
Michael Scarpa
Senior Vice President, Chief Financial Officer

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EXHIBIT 32(a)

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

In connection with the Annual Report of Liz Claiborne, Inc. (the "Company") on Form 10-K for the period ending January 3, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul R. Charron, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Paul R. Charron
_____
Paul R. Charron
Chairman of the Board and Chief Executive Officer
March 11, 2004

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and is not being filed as part of the Form 10-K or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to Liz Claiborne, Inc. and will be retained by Liz Claiborne, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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EXHIBIT 32(b)

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

In connection with the Annual Report of Liz Claiborne, Inc. (the "Company") on Form 10-K for the period ending January 3, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Scarpa, Senior Vice President, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael Scarpa
_____
Michael Scarpa
Senior Vice President, Chief Financial Officer
March 11, 2004

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and is not being filed as part of the Form 10-K or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to Liz Claiborne, Inc. and will be retained by Liz Claiborne, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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Exhibit 10(b)(v)

FIFTH AMENDMENT TO LEASE

AGREEMENT (this "Amendment") made as of the first day of December 2000, by and between LECHAR REALTY CORP., a New York corporation, with its principal office address at 1441 Broadway, New York NY 10018 ("Owner") and LIZ CLAIBORNE INC., a Delaware corporation qualified to do business in the State of New York, with its principal office and showroom address at 1441 Broadway, New York NY 10018 ("Tenant").

W I T N E S S E T H:

WHEREAS:

(i) Owner and Tenant are parties to a lease (the "Original Lease"), dated as of January 1, 1990, as amended by letter agreement dated August 4, 1994, a First Amendment; Lease Extension and Modification Agreement dated as of January 1, 1998 (the "Second Amendment"), and a Third Amendment to Lease dated as of September 29,1999 (the "Third Amendment"), and Fourth Amendment to Lease dated as of July 1, 2000 (the "Fourth Amendment") (collectively, the "Lease"), for portions of the building at 1441 Broadway, a/k/a 575 Seventh Avenue, New York NY (the "Building"; except as otherwise expressly specified in this Amendment, all defined terms used in the Lease shall have the meanings herein that are ascribed to them in the Lease); and

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

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

1. Owner hereby leases by Tenant and Tenant hereby hires from Owner the entire twenty−ninth (29th) floor of the Building containing 6,000

square feet ("Unit 2900") for a term commencing on December 1,2000, ending on December 31,2012 (as such date may be extended in accordance with the terms of the Lease). From and after December 1, 2000 Unit 2900 shall be and be deemed to be included in and part of the Demised Premises.

2. From December 1, 2000 through and including December 31, 2012, the Fixed Annual Rent payable in respect of Unit 2900 is $285,000.00 per 12−month period.

3. Article 36 of the Original Lease, as modified by Paragraph 1 B the First Amendment, shall apply to Unit 2900 as of December 1, 2000, except that Tenant's Proportionate Tax Share with respect to Unit 2900 shall mean 1.32% and the Base Taxes shall mean the Calendar Year 2001.

4. Article 37 of the Original Lease, as modified by the First Amendment, shall apply to Unit 2900 commencing Calendar Year 2001.

5. The electric charges to be paid by Tenant for Unit 2900 shall be as presently provided in the Lease.

6. Tenant accepts Unit 2900 in its present "as is" condition.

7. No broker has been involved with respect to this Fifth Amendment.

8. Paragraph 6 of the Third Amendment is hereby deleted.

Except as set forth above, the Lease is in all other respects hereby ratified and confirmed.

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

OWNER:

Lechar Realty Corp.

By: /s/ Leon H. Charney
_____
Leon H. Charney, President

TENANT:
Liz Claiborne Inc.

By: /s/ John DeFalco
_____
John DeFalco, Vice President
Profit Improvement and Facilities
Management

CONSENTED TO BY:
GENERAL ELECTRIC CAPITAL CORPORATION
Individually and as Agent

By: [Illegible Signature]
_____
Authorized Representative

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Exhibit 10(c)

NATIONAL COLLECTIVE BARGAINING AGREEMENT

By and Between:

LIZ CLAIBORNE, INC. AND

UNITE

Effective: June 1, 2003

Expires: May 31, 2006

TABLE OF CONTENTS

THIS AGREEMENT is made and entered into as of June 1, 2003 by and between LIZ CLAIBORNE INC., (hereinafter designated as the "Company") and UNITE(hereinafter designated as the "Union" or "UNITE").

W I T N E S S E T H:

WHEREAS, the Company is engaged in an integrated process of production, handling and distribution of garments; and

WHEREAS, the Employer owns or leases and operates several distribution centers and samplerooms in which the Union represents the majority of the employees employed by the Employer, and the Employer recognizes the Union as the exclusive bargaining representative of its warehouse and sampleroom employees; and

WHEREAS, the various distribution centers and samplerooms have been governed by separate collective bargaining agreements covering individual facilities; and

WHEREAS, to provide uniformity of conditions and ease of administration, the parties choose to consolidate the separate bargaining units and collective bargaining agreements into a national multi−plant agreement, to be supplemented by local agreements covering specific facilities; and

WHEREAS, the parties desire to cooperate in establishing conditions which will tend to secure a living wage, fair conditions and standards of employment and to provide for a fair and peaceful adjustment of all disputes so as to secure uninterrupted operation of work.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1: UNION RESPONSIBILITY

The Union shall have the sole responsibility for administering and enforcing this Agreement and for obtaining compliance with its terms. The sole persons authorized or having the power to act as agents of the Union, or to bind the Union legally with respect to matters arising out of this Agreement or arising out of the relations between the Employer and the Union, or to subject the Union to any liability whatever by reason of any acts or omissions is the President of the Union and the managers of the signatory Locals thereof or such substitute or additional persons as the Union may hereafter formally designate by written notice to the Employer. The Union shall not be responsible for the acts or omissions of any other person, including members and employees of the Union.

ARTICLE 2: BARGAINING UNIT AND UNION

RECOGNITION

2.1 The scope of the bargaining unit covers the following distribution centers and samplerooms presently located at:

HQ1 − 1 Claiborne Avenue, North Bergen, NJ
Liz 1 − 4 Emerson Lane, Secaucus, New Jersey

1441 Broadway and 240 West 40th Street, New York, New York
Mt. Pocono 1 and 2 − 1 Liz Way, Mt. Pocono, Pennsylvania,

Accessories − 15 Thatcher Road, Dayton, New Jersey

Cosmetics − 120 Herrod Boulevard, Dayton, New Jersey
Jewelry − 1 Powder Hill Road, Lincoln RI

2.2 The bargaining unit consists of all distribution center and sampleroom employees, including cutters and related crafts, employed by the Employer at the covered facilities. Local supplemental agreements may further define the bargaining unit at specific facilities. It is agreed

that the Union represents a majority of said employees and that during the term of this Agreement the Union shall be the sole and exclusive bargaining representative of all employees in the bargaining unit as hereinabove described. Office, clerical, supervisory and executive employees, as well as any employees who may be employed at the retail facility at any location, are excluded from the provisions hereof.

2.3 "Workers" or "employees" as used in this Agreement means those employees covered by the bargaining unit as well as those who may be hereinafter included.

2.4 This Agreement shall be the National Agreement. There shall be Supplemental Agreements which govern certain terms and conditions of employment at individual facilities. In case of conflict between this National Agreement and a Supplemental Agreement, the Supplemental Agreement shall govern. Any dispute unresolved as to whether a conflict exists between the National and a Supplemental Agreement or whether a particular dispute is subject to resolution under the provisions of the National or a Supplemental Agreement shall be subject to arbitration pursuant to Article 30 of this National Agreement.

ARTICLE 3: UNION MEMBERSHIP

3.1 Good standing membership in the Union shall be a condition of employment with the Employer for all bargaining unit employees who have such membership on the date of execution of this Agreement; it shall also be a condition of employment with the Employer for all other bargaining unit employees on and after the thirtieth (30th) day following the execution or effective date of this Agreement, or on or after the thirtieth (30th) day following the beginning of their employment, whichever is the later. If the foregoing is prohibited by law, then at the corresponding time all employees shall be required as a condition of employment (unless

prohibited by law) to pay to the Union a service charge to reimburse it for the cost of negotiating and administering this agreement.

3.2 Good standing membership in the Union for purposes of this Article means such membership in the Union through membership in any affiliate of UNITE.

3.3 In the event that paragraph 3.1 may not be lawfully applied, all employees shall be informed by the Employer of the existence of this Agreement and the terms thereof and shall be advised by the Employer that, in its opinion, good labor–management relations are and will be best served and promoted if such employees become and remain members of the Union. The Employer agrees to implement and promote this provision by posting copies of the following notice near all time clocks and in other prominent places such as bulletin boards in its facilities:

"NOTICE TO ALL EMPLOYEES"

This plant is being operated under the terms of an agreement with the Union of Needletrades, Industrial and Textile Employees, AFL–CIO. All wages, hours and other conditions of employment are regulated by the terms of this agreement.

Good labor management relations will be best served and promoted, in our opinion, if all our employees covered by this agreement become and remain members of this Union.

Signed:
_____

Name of Employer:
_____

ARTICLE 4: EMPLOYER'S OBLIGATIONS

All of the terms and provisions of this Agreement shall be binding upon the Employer and upon its subsidiaries, successors and assigns. In the event the Employer sells or transfers its business to another, it shall nevertheless continue to be liable for the complete performance of the terms and provisions of this Agreement by the purchaser or transferee until the purchaser or transferee expressly, in writing, assumes such performance and agrees to be fully bound by the terms and provisions of this Agreement.

ARTICLE 5: AFTER ACQUIRED AND NEW FACILITIES

5.1 This National Agreement shall be binding on those presently existing facilities described in Article 2.1 above as well as all future facilities operated by and either owned or leased by the Employer, but not including retail stores. Local conditions for any future or after-acquired facility shall be negotiated between the Employer and the Union.

5.2 When the Employer acquires a new facility by merger, acquisition or consolidation, it shall advise the Union within one (1) year after such merger, acquisition or consolidation whether the facility will be maintained by the Employer or disposed of in some fashion. If the Employer advises the Union that the facility will not be maintained by the Employer, then the Employer either must dispose of the facility within six (6) months from the date of such notice (unless the parties mutually agree to an extension) or Article 5 will apply. If the facility is maintained by the Employer, this Agreement shall become binding on that facility no later than eighteen (18) months from the date that the facility was initially acquired.

5.3 If the facility is a manufacturing facility, the time periods set forth in Article 5 above will apply, but the employees of said manufacturing facility will be treated as a separate bargaining unit, and a separate

collective bargaining agreement will be negotiated by the parties for that facility.

ARTICLE 6: TRIAL PERIOD

The first thirty (30) calendar days of employment for newly− hired employees shall be deemed their trial period during which time they may be discharged without regard to cause. The trial period may be extended for another fourteen (14) calendar days with the written consent of the Union. Upon the expiration of the trial period, the newly−hired employee will be deemed a regular employee. The trial period shall not be abused by the Employer and any claim of abuse shall be the subject of arbitration hereunder.

ARTICLE 7: HIRING RATES AND MINIMUM WAGE SCALES

7.1 The hiring rates in effect in the various facilities and job classifications, if any shall be set forth in the local Supplemental Agreements.

7.2 All hiring rates at all facilities covered by this agreement shall increase $0.25 per hour effective June 1, 2003, $0.25 per hour effective June 6, 2004, and an additional $0.25 per hour effective June 5, 2005. The hiring rates may not be decreased. They may increase only upon mutual agreement of the parties.

7.3 Upon satisfactory completion of the trial period, an employee shall receive an additional $0.50 per hour.

7.4 All employees who have completed their trial period as of June 1, 2003 shall receive at least $0.25 an hour above the newly−established minimum wage rate in Paragraph 7.3. Employees who are in their trial period on June 1, 2003 shall receive the greater of the wage increase effective on June 2, 2003 or $0.50 above the June 2, 2003 hiring minimum, but not both.

ARTICLE 8: CHANGE IN LEGAL MINIMUMS

If, during the term of this Agreement, a new applicable federal or state minimum wage law is enacted or becomes effective which increases the applicable minimum wage hereunder, then the minimum wage set forth herein shall be automatically increased so that such minimum wage shall be no less than 15% above any newly–established state or federally mandated legal minimum

ARTICLE 9: COST OF LIVING ADJUSTMENT

Should the cost of living, as reflected in the U.S. Consumer Price Index for the period of June 2003 through November 2004 increase ten (10%) percent over the Consumer Price Index for May 2003, as published in June 2003, then the regular hourly wages of all employees shall be increased ten cents ($0.10) per hour. Additionally, hourly increases of five cents ($0.05) per hour shall be paid for each additional increase in the cost of living of one–half of one percent (.5%). Cost of living increases payable under this provision shall not exceed twenty–five cents ($0.25) per hour. Rises in the Consumer Price Index shall be measured over an eighteen (18) month period, as set forth above, by utilizing the consumer Price Indices for the Urban Wage Earners and Clerical workers, U.S. Cities, Average, printed and released in the months of July 2003 through December 2004. Wage increases due hereunder shall be effective January 4, 2005.

ARTICLE 10: JOB SECURITY/HANDLING AND DISTRIBUTION OF PRODUCT

10.1 No employee shall be involuntarily permanently laid off as a direct result of the Employer's use of a third party contractor to distribute its product.

10.2 To protect the job security of the employees of the Employer and to preserve labor standards among workers who are employed in the integrated process of production of the Employer's garments, the parties agree to the following:

In the event the Employer engages a third party contractor to operate a distribution facility entirely dedicated to the distribution of the Employer's garments for a period in excess of two (2) years, or if the Employer engages a third party contractor where the Employer's garments will take over 50% of the square footage of the third party's facility for more than three (3) months, such third party contractor must have a collective bargaining relationship with UNITE or an affiliate thereof.

10.3 Subject to the protections set forth above, nothing contained herein or in any Local Supplement shall be deemed to restrain the Employer in its determination as to the methods or means by which its products are handled and distributed, including, but not limited to, the allocation of products and functions among the Employer's facilities or the use of facilities not owned, leased or operated by the Employer.

ARTICLE 11: CHANGE IN PAY SYSTEMS

The Employer reserves the right to change the method of payment for some of the general distribution or quality assurance employees to an incentive system. Employees on the incentive system shall not be paid less than their current hourly rate. The Union may assert reasonable challenges to the fairness of the proposed incentive system. Any disputes regarding the implementation of such systems may be submitted to the arbitrator for resolution.

ARTICLE 12: WAGE INCREASES

12.1 The wage increases for employees shall be as follows:

Effective June 1, 2003, employees shall receive a wage increase of $0.60 per hour.

Effective June 6, 2004, employees shall receive a wage increase of $0.50 per hour.

Effective June 5, 2005, employees shall receive a wage increase of $0.50 per hour.

12.2

ARTICLE 13: CHECK-OFF

13.1 Subject to the requirements of law concerning authorization and assignment by the employees individually, the Employer shall deduct membership dues (which shall be deemed to include periodic fixed dues, initiation fees and assessments) or, to the extent permitted by law, service charges, from the earnings of its employees monthly and transmit the same to the Union promptly in accordance with past practice thereafter.

13.2 The Employer agrees to honor check-off authorizations for political contributions to the UNITE Campaign Committee and AFL-CIO COPE from employees who are members of the Union.

13.3 Sums deducted by the Employer under the provisions of Paragraphs 13.1 and 13.2 this Article shall be kept separate and apart from general funds of the Employer and shall be held in trust by the Employer for the benefit of the Union, the UNITE Campaign Committee, and AFL-CIO COPE, as the case may be.

ARTICLE 14: NO DISCRIMINATION

The Employer shall not discriminate against any employee on the basis of race, creed, religion, color, national origin, sex, age, sexual orientation, citizenship status, disability, veteran's status or membership in or activities on behalf of the Union, unless required by this Agreement. The Employer, however, shall not employ children or adolescents where such employment is prohibited by an applicable federal or state law or regulation.

ARTICLE 15: EMPLOYMENT STANDARDS

15.1 All wages, earnings, overtime and holiday pay shall be paid on the day they were customarily paid, but no later than the Friday following the week in which they were earned.

15.2 The Employer shall not charge an employee for any damage to materials unless caused willfully.

15.3 The Employer shall supply necessary machines and tools to its employees.

15.4 No officer of the Employer, supervisory employee or any other person outside of the bargaining unit shall perform any work covered by this Agreement, except as specified in Article 18 or in the event of unexpected absenteeism, an emergency, or for training purposes.

15.5 All paid breaks shall be fifteen (15) minutes.

15.6 Employees may elect to receive their pay by having the Employer make a direct deposit to the employee's designated account.

ARTICLE 16: HEALTH AND SAFETY

16.1 The Employer shall fully comply with all standards, laws and regulations of health, sanitation and safety, including all regulations of the local fire department.

16.2 The Employer shall provide an adequate number of drinking fountains. Restrooms and work areas shall be kept in a clean, sanitary condition, and will be well−lighted and heated. Air conditioning shall be maintained in the Employer's facilities where it currently exists.

16.3 A worker may refuse to perform work which he reasonably believes would pose a serious threat of injury or illness.

16.4 The Employer shall be exclusively responsible for health, safety and sanitation conditions in its shop. Neither the Union nor its agents or representatives shall be liable for any job-related injury, illness or death.

16.5 The Joint Labor-Management Committee set forth in Article 38 shall address issues of health and safety and may make recommendations for the correction of unsafe or harmful conditions and practices and may make recommendations for rules and procedures to prevent accidents and disease and for the promotion of the health, safety and sanitation of the workers.

16.5.1 The Employer shall facilitate limited safety training of employees by, at the Union's request: 1) providing one day's paid leave of absence per year to one employee in each shop designated by the Union to attend health and safety training, and 2) permitting all employees to participate in one paid hour per year of safety training in the shop during working time. The parties shall schedule such training at a mutually convenient time. This safety-training paragraph does not diminish in anyway the Employer's responsibility to provide a safe and healthful workplace under this Agreement. The Union will provide such training only to the extent feasible and is not obligated to provide such training.

ARTICLE 17: HOURS OF WORK AND OVERTIME

The provisions governing hours of work and overtime, including overtime premiums shall be set forth in the local supplemental agreements covering the individual facilities and the practices developed thereunder shall continue.

ARTICLE 18: TEMPORARY EMPLOYEES

18.1 The Employer, from time to time, may have the need for additional temporary employees. Such temporary employees shall not be employed by the Employer for longer than forty (40) consecutive days.

18.2 Temporary employees shall not be considered to be in the bargaining unit. The temporary employees shall be informed of their temporary status when hired and shall acknowledge the same in writing, a copy of which shall be provided to the Union.

18.3 In the event that a temporary employee remains employed beyond the forty (40) day period, then such employee shall be placed in the bargaining unit and benefit fund contributions for that employee shall be paid retroactively from the original date of hire. Union obligations for such employee shall be computed on the basis of the original date of hire.

18.4 The Employer shall not employ temporary employees if any of the bargaining unit employees performing such work are on layoff. The Employer agrees that the job security and earning opportunities shall not be diminished for the regular bargaining unit employees when temporary employees are used. The Employer shall not abuse its right to use temporary employees to avoid hiring regular bargaining unit employees.

ARTICLE 19: HOLIDAY, PERSONAL DAYS/PAID TIME OFF AND SICK DAYS

19.1 Each Supplemental Agreement shall set forth the number of designated holidays and sick days, personal days or paid days off that shall be granted. Employees shall be eligible for holidays at time of hire and those employees who have completed their trial period shall be eligible for paid time off, sick days, or personal days.

19.2 Employees may refrain from working one (1) additional day each year on a national or ethnic holiday of their choice, but without pay.

19.3 An employee shall not be eligible for holiday pay if:

19.3.1 He or she is absent from work on the work day immediately before or after the holiday, except for a justifiable cause, which shall include absence from work when the shop is not in operation; or

19.3.2 He or she becomes disabled and the holiday falls on a day beyond the sixtieth (60th) day after the said employee last worked in the shop.

19.4 When personal days are provided, they must be scheduled with the approval of the Employer. Sick days and/or personal days may be taken in one–half (1/2) day increments.

19.5 Employees shall be paid for unused sick days, personal days and paid days off at the end of the applicable leave year. The local Supplemental Agreements shall set forth the system for accruing days off, that is, calendar year, contract year or anniversary date.

19.6 The Employer shall not count any compensated time off as absences for disciplinary purposes.

19.7 Holiday pay shall be paid at an employee's regular hourly rate. When an incentive system is in effect, the applicable local Supplemental Agreement shall set forth the computation for holidays and other paid days off, which shall not be lower than the extant holiday rate.

19.8 When a holiday falls during an employee's vacation, the employee shall receive the holiday pay and shall not be charged a vacation day for that day.

ARTICLE 20: BEREAVEMENT LEAVE

The provisions governing bereavement leave shall be set forth in the local supplemental agreements covering the individual facilities and the practices developed thereunder shall continue.

ARTICLE 21: SHOP STEWARD

There shall be in the facility of the Employer Shop Steward(s)designated by the Union. The Shop Steward(s)shall be compensated by the Employer for time unavoidably lost during working hours in the process of adjusting grievances. For purposes of layoff only, Shop Steward(s) shall have super−seniority over other bargaining unit employees.

ARTICLE 22: SENIORITY/LAYOFF

The provisions governing seniority and lay off shall be set forth in the local supplemental agreements covering individual facilities and the practices developed thereunder shall continue.

ARTICLE 23: WORK ASSIGNMENTS

The provisions governing transfers, promotions, job classifications, cross−training and job postings shall be set forth in the local supplemental agreements covering individual facilities and the practices developed thereunder shall continue.

ARTICLE 24: DISCHARGES AND DISCIPLINE

24.1 No employee shall be discharged without just and sufficient cause, except during his trial period. If the discharge or disciplinary act is found to be unjustified, the employee shall be reinstated and may be compensated for his loss of earnings during the period of such discharge or disciplinary act.

24.2 All disciplinary notices, including those for absences, shall be of no effect one year after the occurrence.

24.3 The Employer shall inform the Union of all discipline imposed on an employee, including verbal warnings.

ARTICLE 25: LEAVES OF ABSENCE

25.1 The Employer shall grant reasonable leaves of absence to employees for a justifiable cause. Except as may be required by law, the Employer is not required to grant a leave for a period of less than five (5) consecutive work days. Employees on leaves of absence shall not lose any job rights and shall be entitled to return to their regular job prior to such absence.

25.2 RETURN FROM MILITARY SERVICE –

25.2.1 Any employee who has been conscripted, inducted or drafted into the military service of the United States Government, shall, upon termination of such service, be restored to his former position or to a position of like seniority status and pay provided he applied for re–employment within ninety (90) days after the date of his discharge.

25.2.2 Employees who are called to active duty by the National Guard or Reserve will be paid the difference between their military pay and their regular straight time wages for up to four (4) weeks. This shall not include scheduled training exercises for weekends or two weeks.

25.3 FAMILY AND MEDICAL LEAVE

25.3.1 The Employer shall grant, upon request of the Union, up to six (6) months' leave of absence without pay to male and female employees for the employee's own serious health condition as defined by the Family and Medical Leave Act ("FMLA"), or for the birth

or adoption of a child or for the care of family member or live-in partner with a serious health condition.

25.3.2 The Employer may hire a provisional employee for a period not to exceed six (6) months to take the place of any employee who is on Family Leave. Upon the date of hire, the Employer shall give the Union and the provisional employee notice of the employee's provisional status. During such period, provisional employees shall be entitled to all the rights of regular employees under this Agreement. The Employer may retain a provisional employee as long as such action does not displace the employee on Family Leave or any other regular employee. An employee on Family Leave shall be entitled to return to his or her regular job prior to such absence, or an equivalent position, and, subject to the foregoing, shall not lose any rights or privileges under this Agreement.

25.3.3 The employee, whether or not s/he is eligible under the FMLA, may use family and medical leave on an intermittent basis (as defined by the FMLA) to the extent that such use is permitted under the rules and regulations promulgated under the FMLA.

25.4 The Employer may require proper medical certification for leaves relating to an employee's own serious health condition, or for the care of a seriously ill family member or live-in partner.

25.5 An employee's medical leave for work-related or non-work related injury or illness may last up to one year. FMLA leave runs concurrently with contractual medical leave.

ARTICLE 26: TIME CLOCK

The Employer shall maintain an adequate number of time clocks on its premises, and each employee covered by this Agreement shall punch his or her time card before starting work and at the completion of work and before and after lunch.

ARTICLE 27: RIGHT TO VISIT SHOP

Duly authorized representatives of the Union, including engineers and accountants, shall have the right to visit the premises of the Employer at reasonable times for the purpose of ascertaining whether the provisions of this Agreement are being complied with. Such visits shall be conducted so as not to cause interference with operations. In addition, the Employer shall provide access to relevant accounting books and records as the Union may reasonably request in order to ascertain whether the provisions of this Agreement are being complied with.

ARTICLE 28: EMPLOYEE BENEFIT FUNDS

28.1 The Employer shall pay monthly to the Union a cents per hour contribution, a monthly rate and/or an amount equivalent to a percentage, as described below or in the applicable Supplemental Agreement, of each total gross weekly payroll (before deduction for federal, state or local taxes), including direct holiday pay, vacation pay and bonuses, of all bargaining unit employees (whether Union or non−Union employees, and whether regular or trial period employees) employed in its facility. All payments shall be due on the tenth (10th) day of the following month. Such payments shall be allocated towards the following Funds:

28.1.1 Towards the ILGWU National Retirement Fund, a trust fund established by collective agreement for the purpose of providing pensions or annuities on retirement, disability or death of participants.

28.1.2 Towards the ILGWU Eastern States Health and Welfare Fund, a trust fund established by collective agreement for the purpose of providing employees with health, welfare and recreation benefits and services.

28.1.3 The Employer shall contribute to substitute employee benefit funds including without limitation the UNITE National Cotton Health Fund as may be required by local Supplemental Agreement.

28.2 For those facilities participating in the ILGWU National Retirement Fund (the "NRF"), the Employer shall contribute to the NRF to provide the prior basic benefit and to provide the new, enhanced benefit [NRF 2000] at a rate set forth in the local supplemental agreement. The Employer shall provide the Union, for the NRF, on a monthly basis (within thirty (30) days of the end of each month), the name, social security number, gross wages paid to each covered employee and the number of hours paid for in the period (or such other information as the Union may require in the future related to the NRF 2000 Benefit.) The Union may, in its sole discretion, assign collection of employer contributions to the ILGWU National Retirement Fund or any other designee.

28.3 For the month of June, 2003 the employer will pay the funds at the existing rate for health and welfare benefits. Effective July 1, 2003 and thereafter, the Employer shall contribute the monthly figure set forth in the applicable supplemental agreement. The Employer shall contribute for each employee beginning with the first of the month following the completion of the probationary period. The Employer shall maintain contributions for six months for an employee on disability leave or workers compensation leave, and for three months for temporary layoff or for other leave described under paragraph 25.3 of this agreement. The applicable employee co−premiums, if any, shall be set forth in the appropriate local supplement. The Employer further agrees that the copayment shall be made to a Section 125 Plan. Should the Employer not have its own Section 125 Plan, the Employer shall participate in a Fund established Section 125 Plan. In addition to any other requirements which the Fund may establish concerning an employee's eligibility to participate in and/or receive benefits from the

Fund, it is also understood that no contributions will be required for any employee or former employee of the Employer who is participating in and/or receiving benefits from the Fund as a result of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). The Union shall provide the Employer with a copy of all benefit enrollment forms for employees who have elected family coverage through the Health and Welfare Fund. If those enrollment forms are not available on hard copy, the Union shall provide the Employer with access to such data in whatever form it is maintained. Additionally, the Union shall promptly supply copies of enrollment forms reflecting a change in status to the Employer as soon as such forms are completed.

28.4 If at any time during the life of this Agreement, as a result of government mandated requirements, a benefit or a cost of any of the benefits shall be increased, or a new benefit required, or the cost to any fund of providing existing or new benefits is increased, the Union shall have the right to request additional company contributions to cover the expense thereof.

28.5 The said Health and Welfare Fund shall continue to be maintained and administered by the Board of Trustees in accordance with the by−laws or rules and regulations adopted by the Board of Trustees for that purpose. The Employer shall have no legal or equitable right, title, claim or interest in or to said Fund, or the administration thereof. No individual employee shall have any legal or equitable right, title or interest in, or claim against, his or any other employer's payments towards the Health and Welfare Fund, or against said Fund, except as may be provided by the by−laws or rules and regulations of said Fund.

28.6 The said Retirement Fund shall be administered in accordance with its by−laws or rules and regulations by a Board of Trustees. Each Board of Trustees shall be composed of Union representatives and an equal number of representatives of employer contributors to that

Fund. In the event that the Board of Trustees shall be deadlocked on any issue or matter arising in connection with its Fund, the same shall be decided by a neutral person as set forth in the by−laws or rules and regulations of said Fund, and his decision shall be final and binding. The parties hereto hereby ratify, confirm and approve the composition and membership of each Board of Trustees as now or hereafter constituted.

28.7 Each Board of Trustees mentioned in Paragraph 28.5 or 28.6 above shall adopt and promulgate such by−laws or rules and regulations to effectuate the purpose of its Fund as it may deem necessary and desirable, including the detailed basis upon which payments from the Fund will be made, and shall have the power to modify the same from time to time without notice, whenever it may deem it necessary or desirable to do so. The parties hereby agree to be bound thereby and they are hereby incorporated in and made part of this Agreement. It is agreed that such Boards of Trustees may not increase the Company's level of contribution during the term of this Agreement.

28.7.1 The Board of Trustees or other body administering any of the benefit funds, except the ILGWU National Retirement Fund, is hereby authorized and empowered, in its sole discretion and upon such basis as it deems desirable, to transfer or mingle the assets of or to merge said Fund with any other fund or funds now existing or hereafter established and provided for in a collective agreement with UNITE or an affiliate thereof. In the event of such mingling, transfer or merger, the amounts hereinabove provided to be allocated towards the respective funds shall thereafter be paid over to the fund or funds with which there has been such mingling, transfer or merger.

28.7.2 The Board of Trustees of the ILGWU National Retirement Fund is hereby authorized and empowered, in its sole discretion and upon such basis as it deems desirable, to

transfer or mingle the assets of said Fund or to merge said Fund with any other retirement fund or funds.

28.8 None of the monies paid into the Retirement Fund shall be used for any purpose other than to provide for pensions or annuities on retirement or death of employees and to pay the operating and administrative expenses thereof. The monies of the other benefit funds shall be kept separate and apart from all other monies except as allowed in Paragraphs 28.7.1 and 28.7.2.

28.9 Only the assets of each benefit fund shall be available for the payment of the benefits provided by that benefit fund and only to the extent that such benefit fund is financially able to make such payments.

28.10 The Employer shall have no legal or equitable right, title, claim or interest in or to said Funds. No individual employee shall have any legal or equitable right, title or interest in, or claim against, his or any other employer's payments towards said Funds or against said Funds, except as may be provided by the by−laws or rules and regulations of said Funds.

28.11 An annual audit of each Fund shall be made by accountants designated by the Board of Trustees. A statement of the results of such audit shall be made available for inspection by interested persons at the principal office of the Fund and at such other places as may be designated by its Board of Trustees.

28.12 In the event benefit fund contributions are collected on behalf of a health and welfare fund other than the Health and Welfare Fund listed in Paragraph 28.1.2, the person who collected the contributions shall remit the contributions to the proper health and welfare fund.

28.13 The Union or the Board of Trustees of a Fund, or both of them, shall be proper parties−in−interest to enforce collection of payments due from the Employer towards said Funds. Should the matter be submitted to arbitration and the arbitrator find against the Employer, he may also order and direct the Employer to pay interest at the current prime rate of interest as set

by the Amalgamated Bank of New York, 1710 Broadway, New York, New York. He may also order and direct the Employer to pay the cost of investigation of payments due. Should the matter be submitted to arbitration and the arbitrator find against the Employer, the arbitrator may order and direct the Employer to pay the cost of investigation together with reasonable attorneys' fees and other expenses incurred in connection with the matter. In addition, the arbitrator may grant such other relief as he deems appropriate under the circumstances.

28.14 The Union or the appropriate Board of Trustees or Boards of Trustees shall have the right to enforce this Article, including the provisions pertaining to delinquent contributions, by proceeding through arbitration or by instituting appropriate action before a court or governmental agency or by pursuing any other remedies provided by law or this Agreement.

28.15 The Employer shall contribute one dollar ($1.00) per month for each employee after s/he has completed ninety (90) days of employment for the purposes of education and scholarship to a fund designated in the local supplement.

ARTICLE 29: DISABILITY

Disability benefits currently in effect shall continue and shall be specified in the applicable Supplemental Agreement.

ARTICLE 30: GRIEVANCES AND ARBITRATION

30.1 Any and all disputes between the Union or any employees and the Employer involving an alleged breach or issue of application or interpretation of this Agreement or a local Supplemental Agreement shall be adjusted as follows:

30.1.1 The shop steward, together with a representative of the Union, shall attempt to settle the matter with a representative of the Employer. No adjustment shall be deemed binding on the Union unless approved by the Manager of the Union or the designated Business Agent servicing the facility. Disputes not specific to an employee or group of employees may be brought by a representative of the aggrieved party.

30.1.2 A grievance is time barred if it is not submitted in writing to the Employer within sixty (60) working days of the occurrence of the condition or such time as the affected employee or the Union knew of the condition giving rise to the grievance. In the case of a continuing violation, a remedy may be granted for up to one year prior to the filing of the grievance. The time limit for filing grievances shall not apply to disputes concerning payment of benefit fund contributions or disputes regarding Article 10.

30.1.3 If they shall fail satisfactorily to dispose of any such grievance, the matter shall be submitted to an arbitrator selected by mutual agreement from the panel set forth herein. If the parties cannot agree on an arbitrator, they shall select an arbitrator by alternately striking members of the panel. The arbitrator who heard the previous case shall be struck first. The panel shall consist of:

Daniel Brent
Robert Light
Joan Parker
Rosemary Townley

30.2 Either party desiring to use the arbitration procedure as herein provided shall transmit a written notice to the other party no later than four (4) months after the filing of the grievance. The award or decision of the arbitrator, in addition to granting such other relief as the arbitrator may deem proper, may contain provisions commanding affirmative acts or restraining acts and conduct of the parties. If either party shall default in appearing before the arbitrator, he is empowered nevertheless to take the proof of the party appearing and render an award thereon.

Any award or decision of the arbitrator shall be final and binding and shall be enforceable by appropriate proceedings at law or in equity. His fee shall be borne equally by the parties hereto.

30.2.1 The parties agree that any papers, notices or processes to initiate or continue an arbitration hereunder may be served by mail, and all papers, notices or processes in any application to a court to confirm or enforce an arbitration award hereunder, including service of the papers conferring jurisdiction of the parties upon the court, may be served by certified or regular mail, directed to the last−known address of the Employer or the Union.

30.3 The procedure herein established for the adjustment of disputes shall be the exclusive means for the determination of all disputes, complaints, controversies, claims or grievances whatsoever, including the arbitrability of any dispute. It is intended that this provision shall be interpreted as broadly and inclusively as possible. Neither party shall institute any action or proceeding in a court of law or equity, State or Federal, or before an administrative tribunal, other than to compel arbitration, as provided in this Agreement, or with respect to the award of an arbitrator. This provision shall be a complete defense to and also grounds for a stay of any action or proceeding instituted contrary to this Agreement.

30.4 Any dispute, complaint, controversy, claim or grievance hereunder which any employee may have against the Employer may be instituted and processed only by the Union in the manner herein provided. No employee shall have the right individually to institute or process any action or proceeding with reference to any dispute, complaint, controversy, claim or grievance, or to initiate or compel arbitration in the event the Union fails or refuses to proceed with arbitration.

ARTICLE 31: NO STRIKE/NO LOCKOUT PLEDGES

There shall be no strikes or lock-outs during the term of this Agreement for any reason whatsoever, except as set forth in Article 33.

ARTICLE 32: NO REDUCTION OF WAGES OR OTHER BENEFITS

Wages and other terms and conditions of employment now existing or hereafter established at any facility of the Employer shall not be lowered, except by mutual agreement. Any custom or practice existing in a facility at the time of the execution of this Agreement more favorable to the employees than the provisions hereof shall be continued as heretofore.

ARTICLE 33: STRUCK WORK-LABOR DISPUTE CROSSING PICKET LINES

To the extent that a contractor's manufacturing work involves the integrated process of production of the Employer's garments, the Employer and its contractors have a close unity of interest with each other and in any labor dispute, and to such extent, the Employer and its contractors are not neutrals with respect to each other but are jointly engaged in an integrated production effort. Accordingly, to the extent permitted by law, it shall not be considered a breach of this agreement on the part of the Union, any of its affiliates or on the part of any employee if such worker refuses to cross any lawful picket line recognized by the Union or its affiliates or to enter upon the lawfully picketed premises of said contractor, either of his or her own volition or by direction of the Union or the International or to refuse to handle garments from a contractor with whom the Union or any of its affiliates has a lawful labor dispute.

ARTICLE 34: TEMPORARY APPOINTMENT TO UNION STAFF

The Union shall have the right to appoint an employee to its staff on a temporary basis, not to exceed nine (9) months, without said employee losing his seniority rights.

ARTICLE 35: CONFORMITY TO LAW

35.1 If any provision of this Agreement or the enforcement or performance of such provision is or shall at any time be determined to be contrary to law by or enjoined by a court or administrative agency, then such provision shall not be applicable or enforced or performed except to the extent permitted by law. The Union and the Employer shall thereupon negotiate a substitute provision.

35.2 If any provision of this Agreement or its application is held invalid or enjoined, the remainder of this Agreement shall not be affected thereby.

ARTICLE 36: JURY DUTY

Jury duty leave shall be set forth in the local supplemental agreement.

ARTICLE 37: UNION ACTIVITIES

37.1 Any employee who is called from his or her employment to serve on the Union's Negotiating Committee shall be paid his or her full wage during the entire time he or she shall serve on the Union's Negotiating Committee. A maximum of one committee member for every twenty−five (25) bargaining unit employees shall receive this benefit.

37.2 The Union shall have access to bulletin boards in the facilities.

37.3 The Company will pay five thousand dollars (5,000.00) for printing and translation of the contract. The Union will do the printing and translation.

ARTICLE 38: JOINT LABOR−MANAGEMENT COMMITTEE

The Employer and the Union shall designate an equal number of representatives to form a Joint Labor–Management Committee. The Committee shall meet regularly at least one (1) time per month. The Employer shall compensate employees at their regular rate of pay for serving on the Committee during working time.

ARTICLE 39: VACATIONS

Vacation pay and time off shall be set forth in the applicable local Supplemental Agreements.

ARTICLE 40: CUTTING

Any cutting and related tasks, such as marking, grading and digitizing, shall be performed under the conditions specified in the Supplemental Agreement covering employees represented by Local 10.

ARTICLE 41: REPORTING PAY

Employees shall receive reporting (call–in) pay as set forth in the applicable local Supplement Agreements.

ARTICLE 42: NO WAIVER

The failure of either party to this Agreement to require strict performance of any provision of the Agreement shall not be deemed a waiver or abandonment of any of the rights or remedies provided herein for violation of the Agreement or any provision thereof; nor shall it constitute a waiver or abandonment of any right or remedy herein provided for a subsequent violation of any provision of the Agreement.

ARTICLE 43: MANAGEMENT RIGHTS

All rights and prerogatives which may lawfully be exercised by management and which are not specifically abridged or limited by this Agreement or the applicable local Supplemental Agreement are reserved to the Employer.

ARTICLE 44: DURATION OF AGREEMENT

This Agreement shall be effective June 1, 2003 and continue in effect until midnight of the 31st day of May, 2006.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the year and date hereinabove written.

LIZ CLAIBORNE, INC.

By: /s/ John Moroz
_____

UNITE

By: /s/ Bruce Raynor
_____
Bruce Raynor, President
LOCAL 10

By: /s/ Richard Rumelt
_____
Richard Rumelt, Manager

LOCAL 23-25

By: /s/ Edgar Romney
_____
Edgar Romney, Manager

LOCAL 99

By: /s/ Christine Kerber
_____
Christine Kerber, Manager

NEW ENGLAND JOINT BOARD

By: /s/ Warren Pepicelli
_____
Warren Pepicelli, Manager

NEW YORK JOINT BOARD

By: /s/ John Gillis
_____
John Gillis, Manager

NEW YORK–NEW JERSEY REGIONAL JOINT BOARD

By: /s/ William Lee
_____
William Lee, Manager

PENNSYLVANIA, OHIO AND SOUTH JERSEY
JOINT BOARD, LOCAL 109

By: /s/ David Melman
_____
David Melman, Manager

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Exhibit 10(d)

DESCRIPTION OF LIZ CLAIBORNE, INC.
2004 SALARIED EMPLOYEE INCENTIVE PLAN

For the 2003 fiscal year, Liz Claiborne, Inc. maintained a bonus plan for full time salaried employees under which bonuses were earned based upon a combination of return on invested operating capital and earnings per share, as measured against pre-established targets, and, as applicable, achievement of targeted levels of divisional direct operating profit and/or departmental performance considerations and the achievement of individual goals, subject to certain terms and conditions. A similar bonus plan is anticipated for 2004.

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Exhibit 10(e)(i)

First Amendment
to
The Liz Claiborne 401(k)
Savings and Profit Sharing Plan

(As Amended and Restated
Effective as of January 1, 2002 to Include EGTRRA Changes)

Pursuant to Section 13.2 of The Liz Claiborne 401(k) Savings and Profit Sharing Plan (As Amended and Restated Effective as of January 1, 2002 to Include EGTRRA Changes) (the "Plan"), the Plan is hereby amended in the following particulars.

1. A new Article XVII is added to read as follows:

"ARTICLE XVII
DIRECT ROLLOVERS OF PLAN DISTRIBUTIONS

17.1. This Article XVII shall apply to distributions made after December 31, 2001.

17.2. Modification of definition of eligible retirement plan. For purposes of the direct rollover provisions in Section 9.4 of the Plan, an eligible retirement plan shall also mean an annuity contract described in section 403(b) of the Code and an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code.

17.3. Modification of definition of eligible rollover distribution to exclude hardship distributions. For purposes of the direct rollover provisions in Section 9.4 of the Plan, any amount that is distributed on account of hardship shall not be an eligible rollover distribution and the distributee may not elect to have any portion of such a distribution paid directly to an eligible retirement plan.

17.4. Modification of definition of eligible rollover distribution to include after-tax employee contributions. For purposes of the direct rollover provisions in Section 9.4 of the Plan, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible."

EXECUTED this ___ day of September, 2003, to be effective as of January 1, 2002.

LIZ CLAIBORNE, INC.

By: _____

Its: _____

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Exhibit 10(e)(ii)

Second Amendment
to
The Liz Claiborne 401(k)
Savings and Profit Sharing Plan

(As Amended and Restated
Effective as of January 1, 2002 to Include EGTRRA Changes)

Pursuant to Section 13.2 of The Liz Claiborne 401(k) Savings and Profit Sharing Plan (As Amended and Restated Effective as of January 1, 2002 to Include EGTRRA Changes) (the "Plan"), the Plan is hereby amended in the following particulars.

1. A new Supplement F is added to read as follows:

"SUPPLEMENT F
TO THE
LIZ CLAIBORNE 401(K) SAVINGS AND PROFIT SHARING PLAN

Special Provisions Applicable to Employees of Enyce, L.L.C.

This Supplement F sets forth special provisions of the Plan that apply to former employees of Enyce, L.L.C. ("Enyce") who became employees of the Company ("Enyce Employee" or "Enyce Employees") upon the closing of the transactions contemplated by the Membership Interests Purchase Agreement dated as of November 12, 2003 among Sport Brands International Ltd., Liz Claiborne, Inc., and Fila U.S.A., Inc. ("Closing"). Except as otherwise defined below, the terms used herein shall have the meanings set forth in the Plan.

F-1 Credit for Service With Enyce. The Plan shall recognize Enyce Service as though it were service with the Company for the purpose of determining (i) eligibility to participate in the Tax-Saver and Matching Contribution portions of the Plan; and (ii) vesting under the Plan. "Enyce Service" for this purpose shall mean the service of an Enyce Employee from his last date of hire with Enyce to the date immediately prior to the Closing, using the elapsed time method, relying on the best service information reasonably available from Enyce.

F-2 Participation in Tax-Saver and Matching Contributions. Each Enyce Employee eligible to participate in the Fila USA, Inc. 401(k) Retirement Savings Plan immediately prior to the Closing shall be eligible to participate in the Tax-Saver and Matching Contribution portions of the Plan as soon as reasonably practicable after the Closing. Any other Enyce Employee shall be eligible to participate in the Tax-Saver and Matching Contribution portions of the Plan after satisfying Sections 3.1(f) (i) and (ii) of the Plan, as the case may be, taking into account his Enyce Service."

EXECUTED this ___ day of December, 2003, to be effective as of the Closing.

LIZ CLAIBORNE, INC.

By: _____

Its: _____

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Third Amendment
to
The Liz Claiborne 401(k)
Savings and Profit Sharing Plan

(As Amended and Restated
Effective as of January 1, 2002 to Include EGTRRA Changes)

Pursuant to Section 13.2 of The Liz Claiborne 401(k) Savings and Profit Sharing Plan (As Amended and Restated Effective as of January 1, 2002 to Include EGTRRA Changes) (the "Plan"), the Plan is hereby amended in the following particulars.

1. Section 9.11 is amended by adding a new sentence immediately before the last sentence thereof to read as follows, effective as of January 1, 2003:

"No distribution under the Plan shall be permitted that fails to comply with section 401(a)(9) of the Code, including the incidental death benefit requirement."

2. A new Supplement G is added to read as follows:

"SUPPLEMENT G

TO THE
LIZ CLAIBORNE 401(K) SAVINGS AND PROFIT SHARING PLAN

Special Provisions Applicable to Employees of Juicy Couture, Inc.

This Supplement G sets forth special provisions of the Plan that apply to employees of Juicy Couture, Inc., formerly known as Travis Jeans, Inc. ("Juicy") who became employees of an Affiliate upon the closing of the transactions contemplated by the Stock Purchase Agreement dated as of March 17, 2003 by and among Liz Claiborne, Inc., and the Shareholders of Travis Jeans, Inc., d/b/a Juicy Couture ("Closing"), and to other individuals who had undistributed accounts under the Travis Jeans, Inc. 401(k) Profit-Sharing Plan (the "Juicy Plan") on December 31, 2003. Except as otherwise defined below, the terms used herein shall have the meanings set forth in the Plan.

G-1 Special Definitions. For purposes of this Supplement G:

(a) "Merger" means the transfer of assets of the Juicy Plan to this Plan effective as of January 1, 2004.

(b) "Juicy Accounts" means the account or accounts maintained under the Juicy Plan for a Juicy Participant on December 31, 2003.

(c) "Juicy Employee" means an individual who was an employee of Juicy on the date of the Closing.

(d) "Juicy Participant" means an individual who had a Juicy Account on December 31, 2003.

G-2 Adoption and Merger. Subject to the provisions of Sections G-3 and G-4, Juicy shall be an Employer under the Plan effective December 31, 2003, to which adoption the Company consents. Effective as of January 1, 2004, the Juicy Plan is merged into this Plan, and the terms of this Plan supersede the terms of the Juicy Plan. All persons (including current and former employees and their beneficiaries) having an interest under the Juicy Plan prior to January 1, 2004 shall, on and after January 1, 2004, be entitled to benefits solely from the Plan (including this Supplement G), in lieu of any and all interest which they had or may have had under the Juicy Plan.

G-3 Participation of Juicy Employees in Tax-Saver and Matching Contributions. A Juicy Employee shall be eligible to participate in the Tax-Saver and Matching Contributions portions of the Plan on the date on or after January 1, 2004 that he satisfies Sections 3.1(f)(i) or (ii) of the Plan, as the case may be, taking into account his service with Juicy prior to the Closing in accordance with Section G-6 of this Supplement. A Juicy Employee shall continue to be governed by the provisions of the Juicy Plan relating to elective deferrals and matching contributions through December 31, 2003.

G-4 Profit Sharing Participation For 2003. No discretionary profit sharing contribution shall be made to the Juicy Plan with respect to the 2003 Plan Year. Instead, a Juicy Employee who has satisfied the requirements of Sections 3.1(f)(iii) and 4.14 as of December 31, 2003, taking into account his service with Juicy prior to the Closing in

accordance with Section G-6 of this Supplement, shall be eligible to participate in this Plan on December 31, 2003 for purposes of sharing in Profit Sharing Contributions made for the Plan Year ending on December 31, 2003, using as the basis of the allocation any amounts paid by Juicy during the 2003 Plan Year prior to the Closing that would otherwise qualify as "Compensation" had Juicy then been an Employer, in addition to any Compensation paid by Juicy or an Employer during 2003 after the Closing.

G-5 Vesting in Profit Sharing Contributions Subaccount. A subaccount shall be established under a Juicy Participant's Profit Sharing Contributions Account to reflect profit sharing contributions transferred from the Juicy Plan, and the vested balance of such subaccount shall be determined according to the following schedule:

Years of Vesting Service	Vested Percentage
Less than 2	0 percent
2	20 percent
3	40 percent
4	60 percent
5	80 percent
6	100 percent

G-6 Recognition of Juicy Service. Any Juicy Employee shall have his service with Juicy prior to the Closing recognized for purposes of eligibility and vesting under this Plan, as follows:

(a) For purposes of determining when a Juicy Employee has completed a Year of Eligibility Service, for computation periods beginning prior to January 1, 2004 such service shall be calculated in accordance with the hours-of-service methodology set forth in the Juicy Plan, recognizing employment with Juicy as though it were employment

with an Affiliate, and beginning on January 1, 2004 shall be calculated in accordance with the terms of the Plan (using the hours of service methodology set forth in Section 1.2(a)(xxiv)).

(b) For purposes of determining the Years of Vesting Service of a Juicy Employee, for periods prior to January 1, 2004 such service shall be calculated in accordance with the hours-of-service methodology set forth in the Juicy Plan, recognizing employment with Juicy as though it were employment with an Affiliate, and for periods thereafter shall be calculated in accordance with the terms of the Plan (using the elapsed time methodology set forth in Section 2.3 of the Plan).

G-7 Allocation of Transferred Assets. Funds transferred to the Trustee in respect of a Participant's Juicy Account shall be allocated under the Plan to such Participant's Tax-Saver Contributions Account, Matching Contributions Account, Rollover Account, and, subject to Section G-5, Profit Sharing Account, as applicable.

G-8 Investment of Transferred Accounts. During a transition period commencing on the date established by the Committee and ending as soon as practicable after the Merger date, as determined by the Committee in its sole discretion, transferred Juicy Accounts shall be invested in such manner as the Committee prescribes. After the end of the transition period any reallocation of the investment of such accounts, as well as the investment direction of any future contributions allocated to the Participant's accounts, shall be in accordance with the rules of the Plan. No transactions shall be processed during the transition period, such as withdrawals, investment changes or loans, except as provided in Section G-10.

G-9 Post-Merger Beneficiary Designation Required. Beneficiary designations made under the Juicy Plans through December 31, 2003 by Juicy Participants shall be of no effect with respect to the Plan on and after

January 1, 2004, as of which date only beneficiary designations made under the Plan shall be given effect.

G-10 Pre-Merger Elections and Designations. Notwithstanding any other provision of this Plan, withdrawals, distributions, or loans already in process prior to the transition period described in Section G-8 on account of deaths, terminations of employment, or participant requests under the Juicy Plan shall continue to be processed in accordance with the applicable provisions of the Juicy Plan.

G-11 Juicy Plan Amended. The provisions of this Supplement G shall be treated as an amendment to and a part of the Juicy Plan to the extent necessary to give full effect to this Supplement as of the date or dates applicable to the relevant provision."

EXECUTED this 30th day of December, 2003, to be effective immediately.

LIZ CLAIBORNE, INC.

By: _____

Its: _____

JUICY COUTURE, INC.

By: _____

Its: _____

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Exhibit 10(e)(iv)

TRUST, RECORDKEEPING AND ADMINISTRATIVE SERVICES AGREEMENT

Between

LIZ CLAIBORNE, INC.

And

FIDELITY INVESTMENTS INSTITUTIONAL OPERATIONS COMPANY, INC.

And

FIDELITY MANAGEMENT TRUST COMPANY

THE LIZ CLAIBORNE 401(K) SAVINGS AND PROFIT SHARING PLAN

TRUST

Dated as of October 1, 2003

TABLE OF CONTENTS

TRUST AGREEMENT, dated as of the 1st day of October, 2003, among LIZ CLAIBORNE, INC., a Delaware corporation, having an office at One Claiborne Avenue, North Bergen, NJ 07047 (the "Sponsor"), and FIDELITY MANAGEMENT TRUST COMPANY, a Massachusetts trust company, having an office at 82 Devonshire Street, Boston, Massachusetts 02109 (the "Trustee") and FIDELITY INVESTMENTS INSTITUTIONAL OPERATIONS COMPANY, INC. a Massachusetts corporation, having an office at 82 Devonshire Street, Boston, Massachusetts 02109 (the "Recordkeeper").

WITNESSETH:

WHEREAS, the Sponsor is the sponsor of the Liz Claiborne 401(k) Savings and Profit Sharing Plan (the "Plan"); and

WHEREAS, the Sponsor has established a single trust to hold and invest assets of the Plan for the exclusive benefit of Participants, as defined herein, in the Plan and their beneficiaries; and

WHEREAS, the Trustee, as successor trustee, is willing to hold and invest the aforesaid Plan assets in trust among several investment options selected by the Named Fiduciary, as defined herein; and

WHEREAS, such trust shall constitute a continuation, by means of an amendment and restatement, of the prior trust from which Plan assets are transferred to the Trustee; and

WHEREAS, the Sponsor also wishes to have the Recordkeeper, perform certain ministerial recordkeeping and administrative functions under the Plan; and

WHEREAS, the Recordkeeper is willing to perform recordkeeping and administrative services for the Plan that are ministerial in nature and are provided within a framework of plan provisions, guidelines and interpretations conveyed in writing to the Recordkeeper by the Administrator (as defined herein) and as documented in the Plan Administration Manual.

WHEREAS, the trustee services provided under this Agreement shall be performed by the Trustee and the recordkeeping and administrative services provided under this Agreement shall be performed by the Recordkeeper. To the extent possible, the provisions of this Agreement distinguish the trustee services provided by the Trustee from the recordkeeping and administrative services that will be provided by the Recordkeeper; and

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements set forth below, the Sponsor, the Trustee and the Recordkeeper agree as follows:

Section 1. Definitions.

The following terms as used in this Trust, Recordkeeping and Administrative ServicesAgreement have the meaning indicated unless the context clearly requires otherwise:

(a) "Administrator"

"Administrator" shall mean the Committee, identified in the Plan document as the administrator of the Plan (within the meaning of section 3(16)(A) of ERISA).

(b) "Agreement"

"Agreement" shall mean this Trust, Recordkeeping and Administrative Services Agreement, and the Schedules attached hereto, as the same may be amended and in effect from time to time.

(c) "Available Liquidity"

"Available Liquidity" shall mean the amount of short−term investments held in the Stock Fund decreased by any outgoing cash for expenses then due, payables for loan principal, and obligations for pending stock purchases, and increased by incoming cash (such as contributions, exchanges in, loan repayments) and to the extent credit is available and allocable to the Stock Fund, receivables for pending stock sales.

(d) "BrokerageLink"

"BrokerageLink" shall mean the Participant directed brokerage option offered under the plan.

(e) "BrokerageLink Core Account"

"BrokerageLink Core Account" shall mean the cash portion of a Participant's BrokerageLink account in which all brokerage transactions are settled. In addition, all contributions and additional BrokerageLink investments are first deposited in a Participant's core account.

(f) "Business Day"

"Business Day" shall mean each day the NYSE is open.

(g) "Closing Price"

"Closing Price" shall mean either (1) the closing price of the stock on the principal national securities exchange on which the Sponsor Stock is traded or, in the case of stocks traded over the counter, the last sale price of the day; or, if (1) is unavailable, (2) the latest available price as reported by the principal

national securities exchange on which the Sponsor Stock is traded or, for an over the counter stock, the last bid price prior to the close of the New York Stock Exchange (generally 4:00 p.m. Eastern time).

(h) "Code"

"Code" shall mean the Internal Revenue Code of 1986, as it has been or may be amended from time to time, and applicable regulations thereunder.

(i) "Confidential Information"

"Confidential Information" shall mean (individually and collectively) proprietary information of the parties to this Agreement, including but not limited to, their inventions, confidential information, know how, trade secrets, business affairs, prospect lists, product designs, product plans, business strategies, finances, fee structures, etc.

(j) "Declaration of Separate Fund"

"Declaration of Separate Fund" shall mean the declaration of separate trust for each separate fund of the Group Trust.

(k) "EDT"

"EDT" shall mean electronic data transfer.

(l) "Electronic Products"

"Electronic Products" shall mean software products made available via electronic media.

(m) "Electronic Services"

"Electronic Services" shall mean communications and services made available via electronic media.

(n) "ERISA"

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it has been or may be amended from time to time, and applicable regulations thereunder.

(o) "External Account Information"

"External Account Information" shall mean account information, including retirement savings account information, from third party websites or other websites maintained by Fidelity or its affiliates.

(p) "FAST"

"FAST" shall mean Fidelity Automated Service Telephone, the voice response system for retail fund customers to make transactions and inquiries.

(q) "FBSLLC"

"FBSLLC" shall mean Fidelity Brokerage Services LLC.

(r) "Fidelity Mutual Fund"

"Fidelity Mutual Fund" shall mean any investment company advised by Fidelity Management & Research Company or any of its affiliates.

(s) "FIFO"

"FIFO" shall mean First In First Out.

(t) "FIIOC"

"FIIOC" shall mean Fidelity Investments Institutional Operations Company, Inc.

(u) "Group Trust"

"Group Trust" shall mean the Fidelity Group Trust for Employee Benefit Plans for qualified plans.

(v) "In Good Order"

"In Good Order" shall mean in a state or condition acceptable to the Trustee and/or the Recordkeeper in their sole discretion, which the Trustee and/or the Recordkeeper determines is reasonably necessary for accurate execution of the intended transaction.

(w) "Losses"

"Losses" shall mean any and all loss, damage, penalty, liability, cost and expense, including without limitation, reasonable attorney's fees and disbursements.

(x) "Mutual Fund"

"Mutual Fund" shall refer both to Fidelity Mutual Funds and Non-Fidelity Mutual Funds.

(y) "Named Fiduciary"

"Named Fiduciary" shall mean with respect to the application of any provision of this Agreement to the Plan, the person or entity which is the relevant named fiduciary under the Plan with respect to such matter (within the meaning of section 402(a) of ERISA).

(z) "NAV"

"NAV" shall mean Net Asset Value.

(aa) "NFSLLC"

"NFSLLC" shall mean National Financial Services LLC.

(bb) "Non−Fidelity Mutual Fund"

"Non−Fidelity Mutual Fund" shall mean certain investment companies not advised by Fidelity Management & Research Company or any of its affiliates.

(cc) "NYSE"

"NYSE" shall mean the New York Stock Exchange.

(dd) "Participant"

"Participant" shall mean, with respect to the Plan, any employee, former employee, or alternate payee with an account under the Plan, which has not yet been fully distributed and/or forfeited, and shall include the designated beneficiary(ies) with respect to the account of any deceased employee, former employee, or alternate payee until such account has been fully distributed and/or forfeited.

(ee) "Participant Recordkeeping Reconciliation Period"

"Participant Recordkeeping Reconciliation Period" shall mean the period beginning on the date of the initial transfer of assets to the Trust and ending on the date of the completion of the reconciliation of Participant records.

(ff) "Participation Agreement"

"Participation Agreement" shall mean the participation agreement for the Group Trust.

(gg) "PIN"

"PIN" shall mean personal identification number.

(hh) "Plan"

"Plan" shall mean the Liz Claiborne 401(k) Savings and Profit Sharing Plan.

(ii) "Plan Administration Manual"

"Plan Administration Manual" shall mean a written manual and any other policies, procedures or documents developed and maintained by the Sponsor and Recordkeeper pursuant to this Agreement which describes in detail processes and functions integral to the administration of the Plan that are to be performed by the Recordkeeper pursuant to this Agreement..

(jj) "Plan Data"

"Plan Data" shall mean (i) all records, data and information provided to the Recordkeeper by the Sponsor or the Plan's previous recordkeeper and (ii) all data and information created by the Recordkeeper by processing the records, data and information provided by the Sponsor or its agent or as a result of providing the recordkeeping services.

(kk) "Plan Sponsor Webstation"

"Plan Sponsor Webstation" shall mean the graphical windows based application that provides current Plan and Participant information including indicative data, account balances, activity and history.

(ll) "Recordkeeper"

"Recordkeeper" shall mean Fidelity Investments Institutional Operations Company, Inc. ("FIIOC"), and any other subsidiary or affiliate of FIIOC.

(mm) "Recordkeeping Services"

"Recordkeeping Services" shall mean those recordkeeping and administrative services that are ministerial in nature and are provided within a framework of plan provisions, guidelines and interpretations conveyed in writing to the Recordkeeper by the Administrator and as documented in the Plan Administration Manual that the Recorkeeper has agreed to perform pursuant to this Agreement.

(nn) "Reporting Date"

"Reporting Date" shall mean the last day of each calendar quarter of the Plan, the date as of which the Trustee resigns or is removed pursuant to Section 9 hereof or the date as of which this Agreement terminates pursuant to Section 11 hereof.

(oo) "SEC"

"SEC" shall mean the Securities and Exchange Commission.

(pp) "Specified Hierarchy"

"Specified Hierarchy" shall mean the Stock Fund processing order set forth in Schedule "M" that gives precedence to distributions, loans and withdrawals, and otherwise on a FIFO basis.

(qq) "SPO"

"SPO" shall mean, for the BrokerageLink option, the Standard Plan Options which are the basic non-brokerage investment options available in the Plan.

(rr) "Sponsor"

"Sponsor" shall mean Liz Claiborne, Inc., a Delaware corporation, or any successor to all or substantially all of its businesses which, by agreement, operation of law or otherwise, assumes the responsibility of the Sponsor under this Agreement.

(ss) "Sponsor Stock"

"Sponsor Stock" shall mean the common stock of the Sponsor, or such other publicly traded stock of the Sponsor, or such other publicly-traded stock of the Sponsor's affiliates as meets the requirements of section 407(d)(5) of ERISA with respect to the Plan.

(tt) "Stock Fund"

"Stock Fund" shall mean the investment option consisting primarily of Sponsor Stock and cash or short term liquid investments.

(uu) "Trust"

"Trust" shall mean the Liz Claiborne 401(k) Savings and Profit Sharing Plan Trust, being the trust established and maintained by the Sponsor and the Trustee pursuant to the provisions of this Agreement.

(vv) "Trustee"

"Trustee" shall mean Fidelity Management Trust Company, a Massachusetts trust company and any successor to all or substantially all of its trust business as described in Section 10(c). The term Trustee shall also include any successor trustee appointed pursuant to Section 10 to the extent such successor agrees to serve as Trustee under this Agreement.

(ww) "VRS"

"VRS" shall mean Voice Response System.

Section 2. Trust.

The Sponsor hereby appoints the Trustee as successor trustee with respect to the Trust. The Trust shall consist of an initial transfer of money or other property acceptable to the Trustee in its sole discretion, from a previous trustee under the Plan, such additional sums of money or other property acceptable to the Trustee in its sole discretion, as shall from time to time be delivered to the Trustee under the Plan, all investments made therewith and proceeds thereof, and all earnings and profits thereon, less the payments that are made by the Trustee as provided herein. The Trustee hereby accepts the Trust on the terms and conditions set forth in this Agreement. In accepting this Trust, the Trustee shall be accountable for the assets received by it, subject to the terms and conditions of this Agreement.

Section 3. Exclusive Benefit and Reversion of Sponsor Contributions.

Except as provided under applicable law and the terms of the Plan as communicated by the Sponsor to the Trustee, no part of the Trust may be used for, or diverted to, purposes other than the exclusive benefit of the Participants in the Plan or their beneficiaries or the reasonable expenses of Plan administration. No assets of the Plan shall revert to the Sponsor, except as specifically permitted by the terms of the Plan.

Section 4. Disbursements.

(a) Administrator−Directed Disbursements.

The Trustee through the Recordkeeper shall make disbursements in the amounts and in the manner that the Administrator directs from time to time in writing. The Trustee and the Recordkeeper shall have no responsibility to ascertain such direction's compliance with the terms of the Plan (except to the extent the terms of the Plan have been communicated to the Trustee and the Recordkeeper in writing) or of any applicable law or the direction's effect for tax purposes or otherwise; nor shall the Trustee and the Recordkeeper have any responsibility to see to the application of any disbursement.

(b) Participant Withdrawal Requests.

The Sponsor hereby directs that, pursuant to the Plan, a Participant withdrawal request (in−service or post−termination, full or partial withdrawal) may be made by the Participant to the Trustee through the Recordkeeper by telephone or such other electronic means as mutually agreed upon by the Sponsor, Trustee and the Recordkeeper, and the Trustee through the Recordkeeper shall process such request only after the identity of the Participant is verified by use of a PIN and social security number or such other personal identifier as may be agreed to from time to time by the Sponsor , the Trustee and the Recordkeeper. The Trustee through the Recordkeeper shall process such withdrawal in accordance with written guidelines provided by the Sponsor and documented in the Plan Administration Manual. In the case of a hardship withdrawal request, the Trustee through the Recordkeeper shall forward the withdrawal document to the Participant for execution and submission for processing to the Trustee through the Recordkeeper in accordance with the guidelines attached hereto as Schedule "L".

(c) Limitations.

The Trustee through the Recordkeeper shall not be required to make any disbursement in excess of the net realizable value of the assets of the Trust at the time of the disbursement. The Trustee through the Recordkeeper shall be required to make all disbursements in accordance with the applicable source and fund withdrawal hierarchy and as documented in the Plan Administration Manual, unless the Administrator has provided a written direction to the contrary.

Section 5. Investment of Trust.

(a) Selection of Investment Options.

The Trustee and the Recordkeeper shall have no responsibility for the selection of investment options under the Trust and shall not render investment advice to any person in connection with the selection of such options.

It is the intent of the Sponsor and the Trustee that, except as expressly set forth herein, the Trustee shall function as a directed trustee and shall not have discretionary authority over the management and investment of Plan assets. It is also the intent of the Sponsor, the Trustee and the Recordkeeper that, subject to the provisions of ERISA, the Trustee and the Recordkeeper will not be responsible for any loss resulting from any action taken (or not taken) by the Trustee or the Recordkeeper in accordance with a direction properly given (or properly withheld) by any person (including Participants) authorized to give such direction under the terms of this Agreement.

(b) Available Investment Options.

The Named Fiduciary shall direct the Trustee and the Recordkeeper as to the investment options in which the Trust shall be invested during the Participant Recordkeeping Reconciliation Period and the investment options in which Participants may invest following the Participant Recordkeeping Reconciliation Period. The Named Fiduciary may determine to offer as investment options only: (i) Mutual Funds, (ii) Sponsor Stock, (iii) notes evidencing loans to Participants in accordance with the terms of the Plan, (iv) BrokerageLink, (v) existing stable value funds, and (vi) collective investment funds maintained by the Trustee for qualified plans.

Unless otherwise set forth on Schedule "G", the Named Fiduciary hereby directs the Trustee to continue to hold such existing stable value funds until contract maturity or until the Named Fiduciary directs otherwise, it being expressly understood that such direction is given in accordance with section 403(a) of ERISA. The Trustee shall be considered a fiduciary with investment discretion only with respect to Plan assets (including the proceeds from any existing stable value funds) that are invested in investment contracts chosen by the Trustee or in collective investment funds maintained by the Trustee for qualified plans.

The investment options initially selected by the Named Fiduciary are identified on Schedule "C" attached hereto. Upon transfer to the Trust, Plan assets will be invested in the investment option(s) as directed by the Sponsor. The Named Fiduciary may change investment options with the consent of the Trustee

and the Recordkeeper to reflect administrative considerations and upon mutual amendment of this Agreement, and the Schedules thereto, to reflect such changes.

(c) Participant Direction.

Upon initial transfer from the predecessor trustee, Plan assets will be invested in the investment options within the Trust by use of a mapping procedure directed by the Sponsor after consultation with the Trustee and the Recordkeeper. Thereafter, as authorized under the Plan, each Participant shall be entitled to direct the Trustee through the Recordkeeper in which investment option(s) to invest the assets in the Participant's individual accounts. Such directions may be made by Participants by use of the telephone exchange system, the internet or in such other manner as may be agreed upon from time to time by the Sponsor, the Recordkeeper and the Trustee. Such direction shall be made in accordance with written exchange guidelines attached hereto as Schedule "H". In the event that the Trustee or the Recordkeeper fails to receive a proper direction from the Participant, the assets shall be invested in the investment option set forth for such purpose on Schedule "C", until the Trustee or the Recordkeeper receives a proper direction.

(d) Mutual Funds.

On the effective date of this Agreement, in lieu of receiving a printed copy of the prospectus for each Fidelity Mutual Fund selected by the Named Fiduciary as a Plan investment option or short−term investment fund, the Named Fiduciary hereby consents to receiving such documents electronically. Named Fiduciary shall access each prospectus on the internet after receiving notice from the Trustee that a current version is available online at a website maintained by the Trustee or its affiliate. Trustee represents that on the effective date of this Agreement, a current version of each such prospectus is available at https://www.fidelity.com or such successor website as Trustee may notify Named Fiduciary of in writing from time to time. Named Fiduciary represents that it has accessed/will access each such prospectus at https://www.fidelity.com or such successor website as Trustee may notify Named Fiduciary of in writing from time to time as of the effective date of this Agreement. All transactions involving Non−Fidelity Mutual Funds shall be done in accordance with the Operational Guidelines attached hereto as Schedule "I". Trust investments in Mutual Funds shall be subject to the following limitations:

(i) Execution of Purchases and Sales.

Purchases and sales of Mutual Funds (other than for exchanges) shall be made on the date on which the Trustee receives from the Administrator In Good Order all information, documentation and wire transfer of funds (if applicable), necessary to accurately effect such transactions. Exchanges of Mutual Funds shall be made in accordance with the exchange guidelines attached hereto as Schedule "H".

(ii) Voting.

At the time of mailing of notice of each annual or special stockholders' meeting of any Mutual Fund, the Trustee shall send a copy of the notice and all proxy solicitation materials to each Participant who has shares of such Mutual Fund credited to the Participant's accounts, together with a voting direction form for return to the Trustee or its designee. The Participant shall have the right to direct the Trustee as to the manner in which the Trustee is to vote the shares credited to the Participant's accounts (both vested and unvested). The Trustee shall vote the shares as directed by the Participant. The Trustee shall not vote shares for which it has received no directions from the Participant.

During the Participant Recordkeeping Reconciliation Period, the Named Fiduciary shall have the right to direct the Trustee as to the manner in which the Trustee is to vote the shares of the Mutual Funds in the Trust, including Mutual Fund shares held in any short−term investment fund for liquidity reserve. Following the Participant Recordkeeping Reconciliation Period, the Named Fiduciary shall continue to have the right to direct the Trustee as to the manner in which the Trustee is to vote any Mutual Funds shares held in a short−term investment fund for liquidity reserve. The Trustee shall not vote any Mutual Fund shares for which it has received no directions from the Named Fiduciary.

With respect to all rights other than the right to vote, the Trustee shall follow the directions of the Participant and if no such directions are received, the directions of the Named Fiduciary. The Trustee shall have no further duty to solicit directions from Participants or the Named Fiduciary.

(e) Sponsor Stock.

Trust investments in Sponsor Stock shall be made via the Stock Fund. Investments in the Stock Fund shall consist primarily of shares of Sponsor Stock. The Stock Fund shall also include cash or short−term liquid investments, in accordance with this paragraph, in amounts designed to satisfy daily Participant exchange or withdrawal requests. Such holdings will include Colchester Street Trust: Money Market Portfolio: Class I or such other Mutual Fund or commingled money market pool as agreed to in writing by the Named Fiduciary and Trustee. The Named Fiduciary shall, after consultation with the Trustee, establish and communicate to the Trustee in writing a target percentage and drift allowance for such short−term liquid investments. Subject to its ability to execute open−market trades in Sponsor Stock or to otherwise trade with the Sponsor, the Trustee shall be responsible for ensuring that the short−term investments held in the Stock Fund fall within the agreed−upon range over time. Each Participant's proportional interest in the Stock Fund shall be measured in units of participation, rather than shares of Sponsor Stock. Such units shall represent a proportionate interest in all of the assets of the Stock Fund, which includes shares of Sponsor Stock, short−term investments and at times, receivables and payables

(such as receivables and payables arising out of unsettled stock trades). The Trustee shall determine a NAV for each unit outstanding of the Stock Fund. Valuation of the Stock Fund shall be based upon: (a) the Closing Price or, if not available, (b) the price determined in good faith by the Trustee. The NAV shall be adjusted for gains or losses realized on sales of Sponsor Stock, appreciation or depreciation in the value of those shares owned, dividends paid on Sponsor Stock to the extent not used to purchase additional units of the Stock Fund for affected Participants, and interest on the short-term investments held by the Stock Fund, payables and receivables for pending stock trades, receivables for dividends not yet distributed, and payables for other expenses of the Stock Fund, including principal obligations, if any, and expenses that, pursuant to Sponsor direction, the Trustee accrues or pays from the Stock Fund.

(i) Acquisition Limit.

Pursuant to the Plan, the Trust may be invested in Sponsor Stock to the extent necessary to comply with investment directions in accordance with this Agreement. The Sponsor shall be responsible for providing specific direction on any acquisition limits required by the Plan or applicable law.

(ii) Fiduciary Duty.

(A) The Named Fiduciary shall continually monitor the suitability of acquiring and holding Sponsor Stock under the fiduciary duty rules of section 404(a) of ERISA (as modified by section 404(a)(2) of ERISA). The Trustee shall not be liable for any loss or expense which arises from the directions of the Named Fiduciary with respect to the acquisition and holding of Sponsor Stock, unless it is clear on their face that the actions to be taken under those directions would be prohibited by the foregoing fiduciary duty rules or would be contrary to the terms of this Agreement.

(iii) Purchases and Sales of Sponsor Stock.

Unless otherwise directed by the Named Fiduciary in writing pursuant to directions that the Trustee can administratively implement, the following provisions shall govern purchases and sales of Sponsor Stock.

(A) Open Market Purchases and Sales. Purchases and sales of Sponsor Stock shall be made on the open market in accordance with the Trustee's standard trading guidelines, as they may be amended by the Trustee from time to time, as necessary to honor exchange and withdrawal activity and to maintain the target cash percentage and drift allowance for the Stock Fund, provided that:

(1) If the Trustee is unable to purchase or sell the total number of shares required to be purchased or sold on such day as a result of market conditions; or

(2) If the Trustee is prohibited by the SEC, the NYSE or principal exchange on which the Sponsor Stock is traded, or any other regulatory body from purchasing or selling any or all of the shares required to be purchased or sold on such day,

then, under the circumstances set forth in either (1) or (2), the Trustee shall purchase or sell such shares as soon thereafter as administratively feasible.

(B) Purchases and Sales from or to Sponsor. If directed by the Named Fiduciary in writing prior to the trading date, the Trustee may purchase or sell Sponsor Stock from or to the Sponsor if the purchase or sale is for adequate consideration (within the meaning of section 3(18) of ERISA) and no commission is charged. If Sponsor contributions (employer) or contributions made by the Sponsor on behalf of the Participants (employee) under the Plan are to be invested in Sponsor Stock, the Sponsor may transfer Sponsor Stock in lieu of cash to the Trust.

(C) Use of an Affiliated Broker. The Named Fiduciary hereby directs the Trustee to use Fidelity Capital Markets, a division of NFSLLC, to provide brokerage services in connection with any purchase or sale of Sponsor Stock on the open market, except in circumstances where the Trustee has determined, in accordance with its standard trading guidelines or pursuant to Sponsor direction, to seek expedited settlement of the trades. Fidelity Capital Markets shall execute such directions directly or through any of its affiliates. The provision of brokerage services shall be subject to the following:

(1) As consideration for such brokerage services, the Named Fiduciary agrees that Fidelity Capital Markets shall be entitled to remuneration under this direction provision in an amount of no more than three and one-fifth cents ($.032) commission on each share of Sponsor Stock. Any increase in such remuneration may be made only by a signed agreement between the Named Fiduciary and Trustee.

(2) The Trustee will provide the Named Fiduciary with periodic reports which summarize all securities transaction-related charges incurred with respect to trades of Sponsor Stock for such Plan.

(3) Any successor organization of Fidelity Capital Markets, through reorganization, consolidation, merger or similar transactions, shall, upon consummation of such transaction, become the successor broker in accordance with the terms of this direction provision.

(4) The Trustee and Fidelity Capital Markets shall continue to rely on this direction provision until notified to the contrary. The Named Fiduciary reserves the right to terminate this direction upon written notice to Fidelity Capital Markets (or its successor) and the Trustee.

(iv) Execution of Purchases and Sales of Units.

Unless otherwise directed in writing pursuant to directions that the Trustee can administratively implement, purchases and sales of units shall be made as follows:

(A) Subject to subparagraphs (B) and (C) below, purchases and sales of units in the Stock Fund (other than for exchanges) shall be made on the date on which the Trustee receives from the Administrator In Good Order all information, documentation, and wire transfers of funds (if applicable), necessary to accurately effect such transactions. Exchanges of units in the Stock Fund shall be made in accordance with the Exchange Guidelines attached hereto as Schedule "H".

(B) Aggregate sales of units in the Stock Fund on any day shall be limited to the Stock Fund's Available Liquidity for that day. In the event that the requested sales exceed the Available Liquidity, then transactions shall be processed giving precedence to distributions, loans and withdrawals, and otherwise on a FIFO basis, as provided in Schedule "M" (the "Specified Hierarchy"). So long as the Stock Fund is open for such transactions, sales of units that are requested but not processed on a given day due to insufficient Available Liquidity shall be suspended until Available Liquidity is sufficient to honor such transactions in accordance with the Specified Hierarchy.

(C) The Trustee shall close the Stock Fund to sales or purchases of units, as applicable, on any date on which trading in the Sponsor Stock has been suspended or substantial purchase or sale orders are outstanding and cannot be executed.

(v) Securities Law Reports.

The Named Fiduciary shall be responsible for filing all reports required under Federal or state securities laws with respect to the Trust's ownership of Sponsor Stock, including, without limitation, any reports required under section 13 or 16 of the Securities Exchange Act of 1934, and shall immediately notify the Trustee in writing of any requirement to stop purchases or sales of Sponsor Stock pending the filing of any report. The Trustee shall provide to the Named Fiduciary such information on the Trust's ownership of Sponsor Stock as the Named Fiduciary may reasonably request in order to comply with Federal or state securities laws.

(vi) Voting and Tender Offers.

Notwithstanding any other provision of this Agreement the provisions of this Section shall govern the voting and tendering of Sponsor Stock. The Sponsor shall pay for all printing, mailing, tabulation and other costs associated with the voting and tendering of Sponsor Stock. The Trustee, after consultation with the Sponsor, shall prepare the necessary documents associated with the voting and tendering of Sponsor Stock.

(A) Voting.
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(1) When the issuer of Sponsor Stock prepares for any annual or special meeting, the Sponsor shall notify the Trustee at least thirty (30) days in advance of the intended record date and shall cause a copy of all proxy solicitation materials to be sent to the Trustee. If requested by the Trustee, the Sponsor shall certify to the Trustee that the aforementioned materials represent the same information that is distributed to shareholders of Sponsor Stock. Based on these materials the Trustee shall prepare a voting instruction form and shall provide a copy of all proxy solicitation materials to be sent to each Participant with an interest in Sponsor Stock held in the Trust, together with the foregoing voting instruction form to be returned to the Trustee or its designee. The form shall show the proportional interest in the number of full and fractional shares of Sponsor Stock credited to the Participant's accounts held in the Stock Fund.

(2) Each Participant with an interest in the Stock Fund shall have the right to direct the Trustee as to the manner in which the Trustee is to vote (including not to vote) that number of shares of Sponsor Stock reflecting such Participant's proportional interest in the Stock Fund (both vested and unvested). Directions from a Participant to the Trustee concerning the voting of Sponsor Stock shall be communicated in writing, or by such other means as is agreed upon by the Trustee and the Sponsor. These directions shall be held in confidence by the Trustee and shall not be divulged to the Sponsor, or any officer or employee thereof, or any other person except to the extent that the consequences of such directions are reflected in reports regularly communicated to any such persons in the ordinary course of the performance of the Trustee's services hereunder. Upon its receipt of the directions, the Trustee shall vote the shares of Sponsor Stock reflecting the Participant's proportional interest in the Stock Fund as directed by the Participant. Except as otherwise required by law, the Trustee shall vote shares of Sponsor Stock credited to a Participant's account for which it has received no direction from the Participant in the same proportion on each issue as it votes those shares credited to Participants' accounts for which it has received voting directions from Participants.

(3) Except as otherwise required by law, the Trustee shall vote that number of shares of Sponsor Stock not credited to Participants' accounts in the same proportion on each issue as it votes those shares credited to Participants' accounts for which it received voting directions from Participants.

(B) Tender Offers.

(1) Upon commencement of a tender offer for any securities held in the Trust that are Sponsor Stock, the Sponsor shall timely notify the Trustee in advance of the intended tender date and shall cause a copy of all materials to be sent to the Trustee. The Sponsor shall certify to the Trustee that the aforementioned materials represent the same information distributed to shareholders of Sponsor Stock. Based on these materials and after consultation with the Sponsor the Trustee shall prepare a tender instruction form and shall provide a copy of all tender materials to be sent to each Participant with an interest in the Stock Fund, together with the foregoing tender instruction form, to be returned to the Trustee or its designee. The tender instruction form shall show the number of full and fractional shares of Sponsor Stock that reflect the Participants proportional interest in the Stock Fund (both vested and unvested).

(2) Each Participant with an interest in the Stock Fund shall have the right to direct the Trustee to tender or not to tender some or all of the shares of Sponsor Stock reflecting such Participant's proportional interest in the Stock Fund (both vested and unvested). Directions from a Participant to the Trustee concerning the tender of Sponsor Stock shall be communicated in writing, or by such other means as is agreed upon by the Trustee and the Sponsor. These directions shall be held in confidence by the Trustee and shall not be divulged to the Sponsor, or any officer or employee thereof, or any other person except to the extent that the consequences of such directions are reflected in reports regularly communicated to any such persons in the ordinary course of the performance of the Trustee's services hereunder. The Trustee shall tender or not tender shares of Sponsor Stock as directed by the Participant. Except as otherwise required by law, the Trustee shall not tender shares of Sponsor Stock reflecting a Participant's proportional interest in the Stock Fund for which it has received no direction from the Participant.

(3) Except as otherwise required by law, the Trustee shall tender that number of shares of Sponsor Stock not credited to Participants' accounts in the same proportion as the total number of shares of Sponsor Stock credited to Participants' accounts for which it has received instructions from Participants.

(4) A Participant who has directed the Trustee to tender some or all of the shares of Sponsor Stock reflecting the Participant's proportional interest in the Stock Fund may, at any time prior to the tender offer withdrawal date, direct the Trustee to withdraw some or all of the tendered shares reflecting the Participant's proportional interest, and the Trustee shall withdraw the directed number of shares from the tender offer prior to the tender offer withdrawal deadline. Prior to the withdrawal deadline, if any shares of Sponsor Stock not credited to Participants' accounts have been tendered, the Trustee shall redetermine the number of shares of Sponsor Stock that would be tendered under Section 5(e)(vi)(B)(3) if the date of the foregoing withdrawal were the date of determination, and withdraw from the tender offer the number of shares of Sponsor Stock not credited to Participants' accounts necessary to reduce the amount of tendered Sponsor Stock not credited to Participants' accounts to the amount so redetermined. A Participant shall not be limited as to the number of directions to tender or withdraw that the Participant may give to the Trustee.

(5) A direction by a Participant to the Trustee to tender shares of Sponsor Stock reflecting the Participant's proportional interest in the Stock Fund shall not be considered a written election under the Plan by the Participant to withdraw, or have distributed, any or all of his withdrawable shares. The Trustee shall credit to each proportional interest of the Participant from which the tendered shares were taken the proceeds received by the Trustee in exchange for the shares of Sponsor Stock tendered from that interest. Pending receipt of directions (through the Administrator) from the Participant or the Named Fiduciary, as provided in the Plan, as to which of the remaining investment options the proceeds should be invested in, the Trustee shall invest the proceeds in the investment option described in Schedule "C".

(vii) General.

Except as required by ERISA, with respect to all shareholder rights other than the right to vote, the right to tender, and the right to withdraw shares previously tendered, in the case of Sponsor Stock, the Trustee shall follow the procedures set forth in subsection (A), above.

(viii) Conversion.

All provisions in this Section 5(e) shall also apply to any securities received as a result of a conversion of Sponsor Stock.

(f) Participant Loans.

The Administrator shall (i) separately account for repayments of such loans and clearly identify such assets as Plan assets and (ii) collect and remit all principal and interest payments to the Trustee through

the Recordkeeper. To originate a "general purpose" loan, the Participant shall direct the Trustee through the Recordkeeper as to the term and amount of the loan to be made from the Participant's individual account. Such directions shall be made by Participants by use of the system maintained for such purpose by the Trustee and the Recordkeeper or their agents. The Trustee through the Recordkeeper shall determine, based on the current value of the Participant's account on the date of the request and any guidelines provided by the Sponsor, the amount available for the loan. Based on the interest rate supplied by the Sponsor in accordance with the terms of the Plan, the Trustee through the Recordkeeper shall advise the Participant of such interest rate, as well as the installment payment amounts. The Trustee through the Recordkeeper shall distribute the loan agreement and truth−in−lending disclosure with the proceeds check to the Participant. To facilitate recordkeeping, the Trustee through the Recordkeeper may destroy the original of any proceeds check (including the promissory note) made in connection with a loan to a Participant under the Plan, provided that the Trustee through the Recordkeeper or its agent first creates a duplicate by a photographic or optical scanning or other process yielding a reasonable facsimile of the proceeds check (including the promissory note) and the Participant's signature thereon, which duplicate may be reduced or enlarged in size from the actual size of the original.

(g) BrokerageLink.

Under the BrokerageLink option, the Named Fiduciary hereby directs the Trustee and the Recordkeeper to use FBSLLC to purchase or sell individual securities for Participant accounts in accordance with investment directions provided by the Participants. The provision of brokerage services shall be subject to the following:

(i) Any successor organization of FBSLLC, through reorganization, consolidation, merger or similar transactions, shall, upon consummation of such transaction, become the successor broker in accordance with the terms of this authorization provision.

(ii) The Trustee, Recordkeeper and FBSLLC shall continue to rely on this direction provision until notified to the contrary. The Named Fiduciary reserves the right to terminate this direction upon written notice to FBSLLC (or its successor) and the Trustee and the Recorkeeper.

(iii) The types of securities which may be purchased under BrokerageLink are listed on Schedule "J". Administrative procedures governing investment in and withdrawals from BrokerageLink are attached hereto as Schedule "K".

(iv) A Participant may authorize the use of an agent to have limited trading authority over assets in their BrokerageLink account provided that the Participant completes and files with

FBSLLC the brokerage services limited trading authorization and indemnification form or a comparable form.

(v) A copy of the notice and all proxy solicitation materials, together with a voting direction form, will be sent to each Participant with BrokerageLink account balances. FBSLLC shall provide all proxies and other shareholder materials to each Participant with such securities allocated to his or her account. The Participant shall have the authority to direct the exercise of all shareholder rights attributable to the securities allocated to his or her account. The Trustee shall not exercise such rights in the absence of direction from the Participant.

(h) Stable Value Investments.

Stable value investments in the Trust shall be subject to the following limitations:

(i) Collective Investment Funds Managed by the Trustee.

To the extent that the Named Fiduciary selects as an investment option the Managed Income Portfolio II of the Group Trust, the Sponsor hereby (A) acknowledges that it has received from the Trustee a copy of the Group Trust, the Participation Agreement and the Declaration of Separate Fund for the Managed Income Portfolio II, and (B) adopts the terms of the Group Trust, the Participation Agreement and the Declaration of Separate Fund as part of this Agreement.

(ii) Managed Income Fund.

The Managed Income Fund shall consist of the American Express Trust Income Fund II, a collective investment trust maintained for qualified retirement plans blended with the Managed Income Portfolio II. All transactions involving the Managed Income Fund shall be done in accordance with the Operating Procedures attached hereto as Schedule "N".

(iii) Liquidity Reserve

To provide the necessary monies for exchanges or redemptions from the stable value investment option, if any, under the Plan, the Sponsor agrees that the Plan shall maintain a liquidity reserve for the Plan's stable value investment options consisting of Colchester Street Trust: Money Market Portfolio: Class I or such other Mutual Fund or commingled money market pool as agreed to by the Sponsor and the Trustee.

(i) Trustee Powers.

The Trustee shall have the following powers and authority:

(i) Subject to this Section 5, to sell, exchange, convey, transfer, or otherwise dispose of any property held in the Trust, by private contract or at public auction. No person dealing with the Trustee shall be bound to see to the application of the purchase money or other property delivered to the Trustee or to inquire into the validity, expediency, or propriety of any such sale or other disposition.

(ii) To cause any securities or other property held as part of the Trust to be registered in the Trustee's own name, in the name of one or more of its nominees, or in the Trustee's account with the Depository Trust Company of New York and to hold any investments in bearer form, but the books and records of the Trustee shall at all times show that all such investments are part of the Trust.

(iii) To keep that portion of the Trust in cash or cash balances as the Named Fiduciary or Administrator may, from time to time, deem to be in the best interest of the Trust.

(iv) To make, execute, acknowledge, and deliver any and all documents of transfer or conveyance and to carry out the powers herein granted.

(v) To borrow funds from a bank not affiliated with the Trustee in order to provide sufficient liquidity to process Plan transactions in a timely fashion; provided that the cost of such borrowing shall be allocated in a reasonable fashion to the investment fund(s) in need of liquidity. The Sponsor shall receive notice of such as soon as administratively feasible.

(vi) To settle, compromise, or submit to arbitration any claims, debts, or damages due to or arising from the Trust; to commence or defend suits or legal or administrative proceedings; to represent the Trust in all suits and legal and administrative hearings; and to pay all reasonable expenses arising from any such action, from the Trust if not paid by the Sponsor.

(vii) To employ legal, accounting, clerical, and other assistance as may be required in carrying out the provisions of this Agreement and to pay their reasonable expenses and compensation from the Trust if not paid by the Sponsor.

(viii) To invest all or any part of the assets of the Trust in guaranteed investment contracts and short term investments (including interest bearing accounts with the Trustee or money market mutual funds advised by affiliates of the Trustee) and in any collective investment trust or group trust, including any collective investment trust or group trust maintained by the Trustee, which then provides for the pooling of the assets of plans described in Section 401(a) and exempt from tax under

Section 501(a) of the Code, or any comparable provisions of any future legislation that amends, supplements, or supersedes those sections, provided that such collective investment trust or group trust is exempt from tax under the Code or regulations or rulings issued by the Internal Revenue Service. The provisions of the document governing such collective investment trusts or group trusts, as it may be amended from time to time, shall govern any investment therein and are hereby made a part of this Trust Agreement.

(ix) To do all other acts, although not specifically mentioned herein, as the Trustee may deem necessary to carry out any of the foregoing powers and the purposes of the Trust.

Section 6. Recordkeeping and Administrative Services to Be Performed.

(a) General.

The Recordkeeper shall perform those recordkeeping and administrative functions described in Schedule "A" attached hereto or as otherwise agreed to in writing (or by means of a secure electronic medium) between Sponsor and the Recordkeeper. These recordkeeping and administrative functions shall be performed within the framework of the Administrator's written directions regarding the Plan's provisions, guidelines and interpretations and as documented in the Plan Administration Manual. The Recordkeeper will not perform any service that the Recordkeeper, in its sole judgment, considers might cause the Recordkeeper to be treated as a fiduciary of the Plan (within the meaning of Section 3(21) of ERISA). The Recordkeeper shall have the duty and responsibility to perform all functions necessary to provide such recordkeeping and administrative services in a professional and workmanlike manner in accordance with the terms of the Plan as documented in the Plan Administration Manual and this Agreement.

(b) Accounts.

The Trustee and the Recordkeeper shall keep accurate accounts in compliance with federal law of all investments, receipts, disbursements, and other transactions hereunder, and shall report the value of the assets held in the Trust as of each Reporting Date. Within thirty (30) days following each Reporting Date or within sixty (60) days in the case of a Reporting Date caused by the resignation or removal of the Trustee and the Recordkeeper, or the termination of this Agreement, the Trustee and/or the Recordkeeper shall file with the Administrator a written account setting forth all investments, receipts, disbursements, and other transactions effected by the Trustee and the Recordkeeper between the Reporting Date and the prior Reporting Date, and setting forth the value of the Trust as of the Reporting Date. The Administrator shall use all reasonable efforts to bring to the Trustee's and the Recordkeeper's attention, as soon as

possible, any concerns or objections it may have relating to the accounts. Notwithstanding the previous sentence, and except as otherwise required under ERISA, upon the expiration of twelve (12) months from the date of filing such account, the Trustee shall have no liability or further accountability to the Administrator with respect to the propriety of its acts or transactions shown in such account (or any Participant−level report provided to a Participant), except with respect to such acts or transactions as to which a written objection shall have been filed with the Trustee and the Recordkeeper within such twelve (12) month period.

(c) Inspection and Audit.

Prior to the termination of this Agreement, all records generated by the Trustee and the Recordkeeper in accordance with paragraphs (a) and (b), above, shall be open to inspection and audit by the Sponsor or any persons designated by the Sponsor, during the Trustee's and the Recordkeeper's regular business hours. Notwithstanding the previous sentence, should any records be retained by the Trustee and the Recordkeeper that were generated by the Trustee and the Recordkeeper in accordance with paragraphs (a) and (b), above, post termination of this Agreement, the Sponsor may request the inspection and audit of such records by the Sponsor or any persons designated by the Sponsor, during the Trustee's and the Recordkeeper's regular business hours for a period of up to one (1) year after the termination of this Agreement. Upon the resignation or removal of the Trustee or the Recordkeeper or the termination of this Agreement, the Trustee and the Recordkeeper shall provide to the Sponsor, at no expense to the Sponsor, in the format regularly provided to the Sponsor, a statement of each Participant's accounts as of the resignation, removal, or termination, and the Trustee and the Recordkeeper shall provide to the Sponsor or the Plan's new recordkeeper such further records as may be reasonably requested, at the Sponsor's expense.

(d) Notice of Plan Amendment.

The Recordkeeper's provision of the recordkeeping and administrative services set forth in this Section 6 shall be conditioned on the Sponsor delivering to the Trustee and the Recordkeeper a copy of any amendment to the Plan as soon as administratively feasible following the amendment's adoption and on the Administrator providing the Trustee and the Recordkeeper, on a timely basis, with all the information the Recordkeeper deems necessary for it to perform the recordkeeping and administrative services set forth herein, and such other information as the Trustee or the Recordkeeper may reasonably request.

(e) Returns, Reports and Information.

Except as set forth on Schedule "A", the Administrator shall be responsible for the preparation and filing of all returns, reports, and information required of the Trust or Plan by law. The Trustee and

the Recordkeeper shall provide the Administrator with such information as the Administrator may reasonably request to make these filings. The Administrator shall also be responsible for making any disclosures to Participants required by law, except such disclosure as may be required under federal or state truth−in−lending laws with regard to Participant loans, which shall be provided by the Trustee through the Recordkeeper.

(f) Plan Administration Manual.

The Recordkeeper and the Sponsor shall mutually develop and maintain the Plan Administration Manual, which shall reflect the terms of the Plan as provided by the Sponsor to the Recordkeeper. The Recordkeeper shall update the Plan Administration Manual, or portions thereof, upon notice from the Sponsor of amendments to the Plan, and to reflect administrative or legal changes or to correct operational or administrative errors. The Recordkeeper shall provide a copy of the Plan Administration Manual, as amended from time to time, to the Sponsor.

After termination of this Agreement, the Sponsor may provide a copy of the Plan Administration Manual to a successor vendor only for reference or for the ongoing administration of the Plan; provided, however, prior to delivery, the Trustee or Recordkeeper may redact any Fidelity Confidential Information and may require the successor vendor to execute a confidentiality agreement.

(g) Compliance.

The Recordkeeper represents and warrants that the Recordkeeping Services will be performed in accordance with applicable federal laws and regulations. The Recordkeeper shall monitor changes in federal law to the extent applicable to its provision of Recordkeeping Services.

(h) Updates.

To the extent that the Recordkeeper updates the technology it uses for recordkeeping and administrative services, the Recordkeeper shall provide such updates to the Sponsor to the extent such updates are offered to other clients of the Recordkeeper. Notwithstanding the previous sentence, the Sponsor acknowledges that the Recordkeeper, from time to time, for pilot testing purposes or otherwise, may offer certain changes to other clients without first offering them to the Sponsor. The Recordkeeper shall use its best efforts to maintain its recordkeeping system so that Recordkeeping Services are furnished in a manner which complies with all applicable federal laws and regulations as are in effect from time to time. The Recordkeeper shall communicate legal changes and make system and service modifications, where appropriate, to accommodate such changes. To the extent that any statutory or regulatory change permits

a discretionary response by the Sponsor, the Recordkeeper and the Sponsor shall agree as to the manner in which any such change will be implemented with respect to the Plan, and if the Sponsor makes a choice for the Plan that requires customization of the Recordkeeper's system, the Sponsor shall reimburse the Recordkeeper for its reasonable cost in making the requested adaptation; in no event, however, shall the Sponsor be billed for fees pertaining to the development of the base system used by the Recordkeeper to service its customers generally.

(i) Errors.

The Recordkeeper will adhere to an error correction policy, which will be made available to the Sponsor, from time to time, upon request. The Recordkeeper shall attempt to correct errors resulting from the Sponsor's error, errors by the Sponsor's employees or officers, as soon as reasonably practicable after such errors are discovered by the Recordkeeper or the Sponsor (and Sponsor notifies the Recordkeeper of such). The Sponsor shall reimburse the Recordkeeper for the actual cost of such corrections.

(j) On−Site Visits.

Upon reasonable notice from the Sponsor, the Sponsor shall be permitted to make on−site inspection visits of the Recordkeeper's service centers. Such inspections will be conducted during the Recordkeeper's normal business hours.

(k) Fiduciary Status.

It is the intent of the parties that the Recordkeeper serve in a purely ministerial capacity and, therefore that the Recordkeeper not serve in fiduciary capacity or exercise any discretionary authority which would cause the Recordkeeper to be treated as a fiduciary (within the meaning of Section 3(21) of ERISA) with respect to the Plan. If and to the extent that, notwithstanding the previous sentence, the Recordkeeper is deemed to be a fiduciary by a competent authority, the Recordkeeper agrees to exercise its fiduciary authority in accordance with the requirements of ERISA, including without limitation, the requirements of Section 404 and 411 thereof.

(l) Retention of Records.

The Recordkeeper shall maintain and preserve all records in accordance with its record retention policy.

(m) Compliance with Applicable Laws.

The Recordkeeper shall conduct its business in compliance with all applicable laws and regulations relating to employment and employment practices.

(n) Plan Data.

(i) Prior to the commencement of Recordkeeping Services specified in this Agreement, the Sponsor shall furnish or cause to be furnished to the Recordkeeper all information and data in the Sponsor's possession regarding Participant accounts necessary for the Recordkeeper's performance of the Recordkeeping Services.

(ii) The Sponsor shall be solely responsible for the accuracy and completeness of any Plan Data provided to the Recordkeeper by the Sponsor or its agent. The Sponsor shall promptly furnish or cause to be furnished to Recordkeeper accurate and complete Plan Data to correct any inaccuracies or incompleteness with respect to Plan Data previously provided to the Recordkeeper upon discovery by the Sponsor or request by the Recordkeeper. Upon request, the Recordkeeper shall assist the Sponsor in correcting or recalculating inaccurate Plan Data that is provided to the Recordkeeper. The Sponsor may be required to reimburse the Recordkeeper for the actual cost of such corrections or recalculations.

(iii) The Recordkeeper shall process the Plan Data provided by the Sponsor appropriate for its systems. The Sponsor shall review the processed Plan Data promptly after receipt thereof. The Sponsor shall notify the Recordkeeper in writing of any error with respect to any Plan Data or report promptly after discovery thereof.

(iv) All Plan Data is and will remain the property of the Sponsor. The Plan Data will not be (A) used by the Recordkeeper for any purpose other than providing the Recordkeeping Services, (B) disclosed, sold, assigned, leased, or otherwise provided to third parties by the Recordkeeper, or (C) commercially exploited by or on behalf of the Recordkeeper or any affiliate of the Recordkeeper, except as authorized by the Sponsor.

(v) At no cost to the Sponsor and upon the Sponsor's reasonable request, the Recordkeeper shall promptly deliver to the Sponsor, in the format and on the media in use by the Recordkeeper as of the date of the request, a standard extract of all Plan Data. At the Sponsor's request,

the Recordkeeper shall prepare ad hoc reports (covering a portion of the Plan Data). The Sponsor shall pay any reasonable fees for such reports.

(o) Recording System.

The Recordkeeper represents to the Sponsor that the the Recordkeeper has all rights and licenses needed to use the recordkeeping system or systems it employs to provide all of the Recordkeeping Services as set forth in this Agreement and to perform its other obligations hereunder without violating any rights of any third party, and there is currently no actual or threatened suit by any such third party based on an alleged violation of such rights by the Recordkeeper.

Section 7. Compensation and Expenses.

Sponsor shall pay to Trustee and the Recordkeeper, within thirty (30) days of receipt of the Trustee's or Recordkeeper's bill, the fees for services in accordance with Schedule "B". Fees for services are specifically outlined in Schedule "B" and are based on all of the assumptions identified therein. The Trustee and the Recordkeeper shall maintain their fees for three (3) years; provided, however, in the event that the Plan characteristics referenced in the assumptions outlined in Schedule "B" change significantly by either falling below or exceeding current or projected levels, such fees shall be subject to revision. To reflect increased operating costs, Trustee and Recordkeeper may once each calendar year, but not prior to October 1, 2006, amend Schedule "B" without the Sponsor's consent upon ninety (90) days prior notice to the Sponsor.

All reasonable expenses of plan administration as shown on Schedule "B" attached hereto, as amended from time to time, shall be a charge against and paid from the appropriate Participants' accounts, except to the extent such amounts are paid by the Sponsor in a timely manner.

All expenses of the Trustee and the Recordkeeper relating directly to the acquisition and disposition of investments constituting part of the Trust, all taxes of any kind whatsoever that may be levied or assessed under existing or future laws upon or in respect of the Trust or the income thereof, and any other reasonable expenses of Plan administration as determined and directed by the Administrator, shall be a charge against and paid from the appropriate Participants' accounts.

Section 8. Directions and Indemnification.

(a) Identity of Administrator and Named Fiduciary.

The Trustee and the Recordkeeper shall be fully protected in relying on the fact that the Named Fiduciary and the Administrator under the Plan are the individuals or entities named as such above, or such other individuals or persons as the Sponsor may notify the Trustee and the Recordkeeper in writing.

(b) Directions from Administrator.

Whenever the Administrator provides a direction to the Trustee and/or the Recordkeeper, the Trustee and the Recordkeeper shall not be liable for any loss or expense arising from the direction (i) if the direction is contained in a writing (or is oral and immediately confirmed in a writing) signed by any individual whose name and signature have been submitted (and not withdrawn) in writing to the Trustee and the Recordkeeper by the Administrator in the form attached hereto as Schedule "D", and (ii) if the Trustee and the Recordkeeper reasonably believe the signature of the individual to be genuine, unless (on the part of the Trustee) it is clear on the direction's face that the actions to be taken under the direction would be prohibited by the fiduciary duty rules of Section 404(a) of ERISA or would be contrary to the terms of this Agreement or the Plan as documented in the Plan Administration Manual. For purposes of this Section, such direction may also be made EDT or other electronic means in accordance with procedures agreed to by the Administrator, the Trustee and the Recordkeeper; provided, however, that the Trustee and the Recordkeeper shall be fully protected in relying on such direction as if it were a direction made in writing by the Administrator.

(c) Directions from Named Fiduciary.

Whenever the Named Fiduciary or Sponsor provides a direction to the Trustee and/or the Recordkeeper, the Trustee and the Recordkeeper shall not be liable for any loss or expense arising from the direction (i) if the direction is contained in a writing (or is oral and immediately confirmed in a writing) signed by any individual whose name and signature have been submitted (and not withdrawn) in writing to the Trustee and the Recordkeeper by the Named Fiduciary in the form attached hereto as Schedule "E" and (ii) if the Trustee and the Recordkeeper reasonably believe the signature of the individual to be genuine, unless (on the part of the Trustee) it is clear on the direction's face that the actions to be taken under the direction would be prohibited by the fiduciary duty rules of Section 404(a) of ERISA or would be contrary to the terms of this Agreement or the Plan as documented in the Plan Administration Manual. Such direction may also be made via EDT or other electronic means in accordance with procedures agreed to by the Named Fiduciary, the Trustee

and the Recordkeeper; provided, however, that the Trustee and the Recordkeeper shall be fully protected in relying on such direction as if it were a direction made in writing by the Named Fiduciary.

(d) Co−Fiduciary Liability.

In any other case, the Trustee shall not be liable for any loss or expense arising from any act or omission of another fiduciary under the Plan except as provided in section 405(a) of ERISA.

(e) Indemnification.

(i) Indemnification of Trustee. The Sponsor shall indemnify the

Trustee against, and hold the Trustee harmless from, Losses, that may be incurred by, imposed upon, or asserted against the Trustee by reason of any claim, regulatory proceeding, or litigation arising from any act done or omitted to be done by any individual or person with respect to the Plan or Trust, excepting only any and all Losses arising solely from the Trustee's negligence, bad faith, breach of fiduciary duty or breach of this Agreement or the Recordkeeper's negligence, bad faith or breach of this Agreement.

(ii) Indemnification of the Sponsor. The Recordkeeper agrees to

indemnify and hold harmless the Plan and the Sponsor (including any subsidiaries and affiliates of the Sponsor) and their respective directors, officers, employees and agents (each an "indemnitee") against any losses, claims, damages, liabilities or expenses to which an indemnitee may become subject insofar as those losses, claims, damages, liabilities or expenses (or actions in respect thereof), arise out of or are based upon (i) the Recordkeeper's willful misconduct, bad faith or negligence in performing or in failing to perform its duties and obligations as the Recordkeeper under this Agreement; (ii) any material breach by the Recordkeeper of its obligations under this Agreement; (iii) any claim that the system used by the Recordkeeper in providing Recordkeeping Services violates or infringes any copyright, trade secret, patent or other intellectual property right of any third party; or (iv) any breach by the Recordkeeper of a material representation, warranty or covenant contained in this Agreement; and, except as provided in subsection (h) below, shall reimburse the indemnities for any legal fees or other expenses reasonably incurred, as incurred, by them in connection with investigating or defending such loss, claim or action. This indemnity agreement shall be in addition to any liability which the Recordkeeper otherwise may have.

(iii) Indemnification of the Recordkeeper. The Sponsor shall indemnify

the Recordkeeper against, and hold the Recordkeeper harmless from, Losses, that may be incurred by, imposed upon, or asserted against the Recordkeeper by reason of any claim, regulatory proceeding, or litigation arising from any act done or omitted to be done by any individual or person with respect to the Plan or Trust, excepting only any and all Losses arising solely from the Recordkeeper's negligence, bad

faith or breach of this Agreement or the Trustee's negligence, bad faith breach of fiduciary duty or breach of this Agreement.

(f) Option to Defend.

If any third party threatens to commence or commences any action for which one party (the "Indemnifying Party") may be required to indemnify another person hereunder (the "Indemnified Party"), the Indemnified Party will promptly give notice thereof to the Indemnifying Party. The Indemnifying Party will be entitled, at its own expense and without limiting its obligations to indemnify the Indemnified Party, to assume control of the defense of such action with counsel selected by the Indemnifying Party which counsel will be reasonably satisfactory to the Indemnified Party. If the Indemnifying Party assumes the control of the defense, the Indemnified Party may participate in the defense of such claim at its own expense. Without the prior written consent of the Indemnified Party, which consent will not be unreasonably withheld, the Indemnifying Party may not settle or compromise the liability of the Indemnified Party in such action or consent to or permit the entry of any judgment in respect thereof in payment and without unconditional release in favor of each Indemnified Party from all liability in respect of such claim.

(g) Standard of Care.

In performing any of the duties agreed to under this Agreement, the Trustee shall be held to the same standard of care as a fiduciary under ERISA and shall discharge its duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. If the Recordkeeper is deemed to be a fiduciary, the above standard shall apply in the context and to the extent it is so deemed.

(h) Survival.

The provisions of this Section 8 shall survive the termination of this Agreement.

Section 9. Resignation or Removal of Trustee and Recordkeeper and Termination.

(a) Resignation and Removal.

The Trustee and the Recordkeeper may resign at any time in accordance with the notice provisions set forth below. The Sponsor may remove the Trustee and the Recordkeeper at any time in accordance with the notice provisions set forth below.

(b) Termination.

This Agreement may be terminated in full, or with respect to only a portion of the Plan (i.e., a "partial deconversion") at any time by the Sponsor upon prior written notice to the Trustee or the Recordkeeper in accordance with the notice provisions set forth below.

(c) Notice Period.

In the event that the Trustee desires to terminate this Agreement or any Services hereunder, the Trustee shall provide at least sixty (60) days prior written notice of the termination date to the Sponsor; provided, however, that the Sponsor may agree, in writing, to a shorter notice period.

In the event that the Recordkeeper desires to terminate this Agreement or any Services hereunder, the Recordkeeper shall provide at least one hundred and eighty (180) days prior written notice of the termination date to the Sponsor; provided, however, that the Sponsor may agree, in writing, to a shorter notice period.

In the event that the Sponsor desires to terminate this Agreement or any Services hereunder, the Sponsor shall provide at least sixty (60) days prior written notice of the termination date to the Trustee and/or the Recordkeeper; provided, however, that the receiving party may agree, in writing, to a shorter notice period.

(d) Transition Assistance.

In the event of termination of this Agreement, if requested by Sponsor, the Trustee and the Recordkeeper shall assist the Sponsor in developing a plan for the orderly transition of the Plan data, cash and assets then constituting the Trust and services provided by the Trustee or the Recordkeeper hereunder to the Sponsor or its designee. The Trustee and the Recordkeeper shall provide such assistance for a period not extending beyond sixty (60) days from the termination date of this Agreement. The Trustee and the Recordkeeper shall provide to the Sponsor, or to any person designated by the Sponsor, at a mutually agreeable time, one file of the Plan data prepared and maintained by the Trustee and the Recordkeeper in

the ordinary course of business, in the Trustee's format. The Trustee and the Recordkeeper may provide other or additional transition assistance as mutually determined for additional fees, which shall be due and payable by the Sponsor prior to any termination of this Agreement.

(e) Failure to Appoint Successor.

If, by the termination date, the Sponsor has not notified the Trustee and the Recordkeeper in writing as to the individual or entity to which the assets and cash are to be transferred and delivered, the Trustee and the Recordkeeper may bring an appropriate action or proceeding for leave to deposit the assets and cash in a court of competent jurisdiction. The Trustee and the Recordkeeper shall be reimbursed by the Sponsor for all costs and expenses of the action or proceeding including, without limitation, reasonable attorneys' fees and disbursements.

(f) Insurance.

The Trustee shall maintain insurance to cover liability or losses occurring by reason or acts or omissions of fiduciaries, specifically, to cover the following: losses sustained as the direct result of dishonest or fraudulent acts committed by its employees; losses which are the result of fraudulent input, modification or destruction of electronic data media or instructions when committed by non−employees; and losses resulting from errors or omissions committed by its employees. Upon request by the Sponsor, the Trustee will provide a Statement of insurance confirming its liability coverage.

Section 10. Successor Trustee.

(a) Appointment.

If the office of Trustee becomes vacant for any reason, the Sponsor may in writing appoint a successor trustee under this Agreement. The successor trustee shall have all of the rights, powers, privileges, obligations, duties, liabilities, and immunities granted to the Trustee under this Agreement. The successor trustee and predecessor trustee shall not be liable for the acts or omissions of the other with respect to the Trust.

(b) Acceptance.

As of the date the successor trustee accepts its appointment under this Agreement, title to and possession of the Trust assets shall immediately vest in the successor trustee without any further action on the part of the predecessor trustee, except as may be required to evidence such transition. The predecessor trustee

shall execute all instruments and do all acts that may be reasonably necessary and requested in writing by the Sponsor or the successor trustee to vest title to all Trust assets in the successor trustee or to deliver all Trust assets to the successor trustee.

(c) Corporate Action.

Any successor to the Trustee or successor trustee, either through sale or transfer of the business or trust department of the Trustee or successor trustee, or through reorganization, consolidation, or merger, or any similar transaction of either the Trustee or successor trustee, shall, upon consummation of the transaction, become the successor trustee under this Agreement.

Section 11. Resignation, Removal, and Termination Notices.

All notices of resignation, removal, or termination under this Agreement must be in writing and mailed to the party to which the notice is being given by certified or registered mail, return receipt requested, to the Sponsor c/o Retirement Plan Specialist, Liz Claiborne, Inc., One Claiborne Avenue, North Bergen, NJ 07047, and to the Trustee and the Recordkeeper c/o FESCo Business Compliance, Contracts Administration, 82 Devonshire Street, MM3H, Boston, Massachusetts 02109, or to such other addresses as the parties have notified each other of in the foregoing manner.

Section 12. Duration of Trust.

This Trust shall continue in effect without limit as to time, subject, however, to the provisions of this Agreement relating to amendment, modification, and termination thereof.

Section 13. Amendment or Modification.

This Agreement may be amended or modified at any time and from time to time only by an instrument executed by the Sponsor, the Trustee and the Recordkeeper. The individuals authorized to sign such instrument shall be those authorized by the Sponsor on Schedule "E."

Section 14. Electronic Services.

(a) The Trustee and the Recordkeeper may provide Electronic Services and/or Electronic Products, including, but not limited to Fidelity Plan Sponsor WebStation. The Sponsor and its agents agree to use such Electronic Services and Electronic Products only in the course of reasonable administration of or participation in the Plan and to keep confidential and not publish, copy, broadcast, retransmit, reproduce, commercially exploit or otherwise redisseminate the Electronic Products or Electronic Services or any portion thereof without the Trustee's and the Recordkeeper's written consent, except, in cases where Trustee and/or the Recordkeeper has specifically notified the Sponsor that the Electronic Products or Services are suitable for delivery to Participants, for non−commercial personal use by Participants or beneficiaries with respect to their participation in the Plan or for their other retirement planning purposes.

(b) The Sponsor shall be responsible for installing and maintaining all Electronic Products, (including any programming required to accomplish the installation) and for displaying any and all content associated with Electronic Services on its computer network and/or intranet so that such content will appear exactly as it appears when delivered to Sponsor. All Electronic Products and Services shall be clearly identified as originating from the Trustee, the Recordkeeper or their affiliates. The Sponsor shall promptly remove Electronic Products or Services from its computer network and/or intranet, or replace the Electronic Products or Services with updated products or services provided by the Trustee and the Recordkeeper, upon written notification (including written notification via facsimile) by the Trustee and/or the Recordkeeper.

(c) All Electronic Products shall be provided to the Sponsor without any express or implied legal warranties or acceptance of legal liability by the Trustee and the Recordkeeper , and all Electronic Services shall be provided to the Sponsor without acceptance of legal liability related to or arising out of the electronic nature of the delivery or provision of such Services. Except as otherwise stated in this Agreement, no rights are conveyed to any property, intellectual or tangible, associated with the contents of the Electronic Products or Services and related material. The Trustee and the Recordkeeper hereby grant to the Sponsor a non−exclusive, non−transferable revocable right and license to use the Electronic Products and Services in accordance with the terms and conditions of this Agreement.

(d) To the extent that any Electronic Products or Services utilize internet services to transport data or communications, the Trustee and the Recordkeeper will take, and Sponsor agrees to follow, reasonable security precautions, however, the Trustee and the Recordkeeper disclaim any liability for interception of any such data or communications. The Trustee and the Recordkeeper reserves the right not to accept data or communications transmitted via electronic media by the Sponsor or a third party if it

determines that the media does not provide adequate data security, or if it is not administratively feasible for the Trustee and the Recordkeeper to use the data security provided. The Trustee and the Recordkeeper shall not be responsible for, and makes no warranties regarding access, speed or availability of internet or network services, or any other service required for electronic communication. The Trustee and the Recordkeeper shall not be responsible for any loss or damage related to or resulting from any changes or modifications to the Electronic Products or Services after delivering it to the Sponsor.

(e) The Trustee and the Recordkeeper will provide to Participants the FullViewSM service via NetBenefitsSM, through which Participants may elect to consolidate and manage any retirement account information available through NetBenefits as well as External Account Information. To the extent not provided by the Trustee and the Recordkeeper or their affiliates, the data aggregation service will be provided by Yodlee.com, Inc. or such other independent provider as the Trustee and the Recordkeeper may select, pursuant to a contract that requires the provider to take appropriate steps to protect the privacy and confidentiality of information furnished by users of the service. The Sponsor acknowledges that Participants who elect to use FullViewSM must provide passwords and PINs to the provider of data aggregation services. The Trustee and the Recordkeeper will use External Account Information to furnish and support FullViewSM or other services provided pursuant to this Agreement, and as otherwise directed by the Participant. The Trustee and the Recordkeeper will not furnish External Account Information to any third party, except pursuant to subpoena or other applicable law. The Sponsor agrees that the information accumulated through FullViewSM shall not be made available to the Sponsor, provided, however, that the Trustee and the Recordkeeper shall provide to the Sponsor, upon request, aggregate usage data that contains no personally identifiable information.

Section 15. Assignment.

This Agreement, and any of its rights and obligations hereunder, may not be assigned by any party without the prior written consent of the other party(ies), and such consent may be withheld in any party's sole discretion, however, such consent shall not be unreasonably withheld. Notwithstanding the foregoing, Trustee and the Recordkeeper may assign this Agreement in whole or in part, and any of its rights and obligations hereunder, to a subsidiary or affiliate of Trustee or the Recordkeeper without consent of the Sponsor. All provisions in this Agreement shall extend to and be binding upon the parties hereto and their respective successors and permitted assigns.

Section 16. Force Majeure.

No party shall be deemed in default of this Agreement to the extent that any delay or failure in performance of its obligation(s) results, without its fault or negligence, from any cause beyond its reasonable control, such as acts of God, acts of civil or military authority, embargoes, epidemics, war, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, power outages or strikes. This clause shall not excuse any of the parties to the Agreement from any liability which results from failure to have in place reasonable disaster recovery and safeguarding plans adequate for protection of all data each of the parties to the Agreement are responsible for maintaining for the Plan.

Section 17. Confidentiality.

(i) All parties to this Agreement recognize that in the course of implementing and providing the services described herein, each party may disclose to the other Confidential Information. All such Confidential Information, individually and collectively, and other proprietary information disclosed by any party shall remain the sole property of the party disclosing the same, and the receiving party shall have no interest or rights with respect thereto if so designated by the disclosing party to the receiving party. Each party agrees to maintain all such Confidential Information in trust and confidence to the same extent that it protects its own proprietary information, and not to disclose such Confidential Information to any third party without the written consent of the other party. Each party further agrees to take all reasonable precautions to prevent any unauthorized disclosure of Confidential Information. In addition, each party agrees not to disclose or make public to anyone, in any manner, the terms of this Agreement, except as required by law, without the prior written consent of the other party.

(ii) Each party shall have the right to disclose Confidential Information of the other party to a limited number of employees, attorneys, accountants, auditors or other advisors and its affiliates on a need–to–know basis.

(iii) The obligation to treat information as confidential will not apply to information which:

(A) is already known at the time of the disclosure;

(B) is publicly known at the time of the disclosure or becomes publicly known through no wrongful act or failure of any party to the Agreement;

(C) is subsequently disclosed on a non–confidential basis by a third party not having a confidential relationship with any party to this Agreement which rightfully acquired such information;

(D) is independently developed by a third party;

(E) is required to be disclosed to any governmental agency or is required by subpoena, summons, order or other judicial process.

(iv) The Trustee and the Recordkeeper agree not to disclose, advertise or otherwise publish this Agreement or include the name of the Sponsor in any marketing or sales material (other than lists, verbal communications, proposals, RFP responses, or similar documents provided by the Recordkeeper to clients or prospective clients) without the prior consent of the Sponsor.

(v) The provisions of this Section 17 shall survive the termination of this Agreement.

Section 18. General.

(a) Performance by Trustee and Recordkeeper, their Agents or Affiliates.

The Sponsor acknowledges and authorizes that the services to be provided under this Agreement shall be provided by the Trustee and the Recordkeeper, their agents or affiliates, including but not limited to FBSLLC, or the successor to any of them, and that certain of such services may be provided pursuant to one or more separate contractual agreements or relationships.

(b) Entire Agreement.

This Agreement together with the schedules attached hereto, which are hereby incorporated by reference herein, contains all of the terms agreed upon between the parties with respect to the subject matter hereof.

(c) Waiver.

No waiver by either party of any failure or refusal to comply with an obligation hereunder shall be deemed a waiver of any other obligation hereunder or any subsequent failure or refusal to comply with any other obligation hereunder.

(d) Successors and Assigns.

The stipulations in this Agreement shall inure to the benefit of, and shall bind, the successors and assigns of the respective parties.

(e) Partial Invalidity.

If any term or provision of this Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(f) Section Headings.

The headings of the various sections and subsections of this Agreement have been inserted only for the purposes of convenience and are not part of this Agreement and shall not be deemed in any manner to modify, explain, expand or restrict any of the provisions of this Agreement.

(g) Communications.

(i) Content

The Sponsor shall provide all information requested by the Trustee to help it prepare Participant communications necessary to allow the Trustee to meet its obligations under this Agreement. The Sponsor represents that Participant communications prepared by the Sponsor will include any information required by applicable regulations to afford Plan fiduciaries protection under ERISA ss.404(c). The Trustee shall have no responsibility or liability for any Losses resulting from the use of information provided by or from communications prepared by the Sponsor.

(ii) Delivery

In the event that the Sponsor retains any responsibility for delivering Participant communications to some or all Participants and beneficiaries, the Sponsor agrees to furnish the communications to such Participants in a timely manner as determined under applicable law (including ERISA ss.404(c) and the Sarbanes-Oxley Act requirements for "blackout" notices). The Sponsor also represents that such communications will be delivered to such Participants and beneficiaries in a manner permitted by applicable law, including electronic delivery that is consistent with applicable regulations regarding electronic transmission (for example, DOL Regulation ss.2501.104b-1). The Trustee and its affiliates shall have no responsibility or liability for any Losses resulting from the failure of the Sponsor to furnish any such communications in a manner which is timely and consistent with applicable law.

Section 19. Governing Law.

(a) Massachusetts Law Controls.

This Agreement is being made in the Commonwealth of Massachusetts, and the Trust shall be administered as a Massachusetts trust. The validity, construct, effect and administration of the Agreement shall be governed by and interpreted in accordance with the banking laws of the Commonwealth of Massachusetts to the extent they govern the activities of the Trustee and otherwise in accordance with the laws of New York, except to the extent those laws are superseded under section 514 of ERISA..

(b) Agreement Controls.

The Trustee and the Recordkeeper are not parties to the Plan, and in the event of any conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of this Agreement shall control.

Section 20. Plan Qualification.

The Plan is intended to be qualified under section 401(a) of the Code and the Trust established hereunder is intended to be tax−exempt under section 501(a) of the Code. The Sponsor represents that to the extent Participants are able to instruct the investment of their account, the Plan is intended to constitute a plan described in section 404(c) of ERISA and Title 29 of the Code of Federal Regulations Section 2550.404c−1. A confirmation of the Plan's current qualified status is attached hereto as Schedule "F," and the Sponsor shall provide proof of the Plan's continued qualification upon request by the Trustee. The Sponsor has the sole responsibility for ensuring the Plan's qualified status and full compliance with the applicable requirements of ERISA. The Sponsor hereby certifies that it has furnished to the Trustee a complete copy of the Plan and all amendments thereto in effect as of the date of this Agreement.

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

LIZ CLAIBORNE, INC.

By: /s/Michael Scarpa
_____

Name: Michael Scarpa
_____

Title: Senior VP Finance, CFO
_____

Date: 9/29/03
_____

FIDELITY MANAGEMENT TRUST COMPANY

By: /s/Rebecca Hays
_____
FMTC Authorized Signatory

Name: Rebecca Hays
_____

Date: 10/9/03
_____

FIDELITY INVESTMENTS INSTITUTIONAL OPERATIONS COMPANY, INC.

By: /s/Rebecca Hays
_____
FIIOC Authorized Signatory

Name: Rebecca Hays
_____

Date: 10/9/03
_____

SCHEDULE "A" − Administrative Services

Administration
−−−−−−−−−−−−−−

* Establishment and maintenance of Participant account and election percentages.

* Maintenance of the Plan investment options set forth on Schedule "C."

* Maintenance of the following money classifications:

  - o 401(k) Tax Saver
  - o 401(k) Company Match
  - o After−Tax Buyback
  - o Profit Sharing
  - o Prior Profit Sharing
  - o QNEC
  - o Rollover
  - o Catch−Up
  - o Catch−Up Match
  - o Lucky Match
  - o Laundry Match

* The Recordkeeper will provide the recordkeeping and administrative services set forth on this Schedule "A" or as otherwise agreed to in writing (or by means of a secure electronic medium) between Sponsor, Trustee and the Recordkeeper. The Trustee or the Recordkeeper may unilaterally add or enhance services, provided there is no impact on the fees set forth in Schedule "B."

A) Participant Services

1. Participant service representatives are available each business day from 8:30 a.m. ET − 8:00 p.m. in the Participant's time zone in the continental United States to provide toll free telephone service for Participant inquiries and transactions.

2. Through the automated voice response system and on−line account access via the world wide web, Participants also have virtually 24 hour account inquiry and transaction capabilities.

3. For security purposes, all calls are recorded. In addition, several levels of security are available including the verification of a PIN or such other personal identifier as may be agreed to from time to time by the Sponsor, the Trustee and the Recordkeeper.

4. The following services are available via the telephone or such other electronic means as may be agreed upon from time to time by the Sponsor, the Trustee and the Recordkeeper:

   - o Enroll new Participants. Confirmation of enrollment will be provided on−line or if requested, by mail (generally within five (5) calendar days of the request).

- Provide Plan investment option information.

- Provide and maintain information and explanations about Plan provisions.

- Respond to requests for literature.

- Allow Participants to change their deferral percentages and establish/change catch−up contributions, if applicable. Provide updates via EDT for the Sponsor to apply to its payrolls accordingly.

- Maintain and process changes to Participants' contribution allocations for all money sources.

- Process exchanges (transfers) between investment options on a daily basis.

- Process in−service withdrawals due to certain circumstances previously approved by the Sponsor.

- Process hardship withdrawals due to certain circumstances previously approved by the Sponsor and in accordance with the procedures set forth in Schedule "L" attached hereto.

- Consult with Participants on various loan scenarios and generate all documentation.

B) Plan Accounting

1. Process consolidated payroll contributions according to the Sponsor's payroll frequency via EDT, consolidated magnetic tape or diskette. The data format will be provided by Trustee.

2. Maintain and update employee data necessary to support Plan administration. The data will be submitted according to payroll frequency.

3. Provide daily Plan and Participant level accounting for all Plan investment options.

4. Provide daily Plan and Participant level accounting for all money classifications for the Plan.

5. Audit and reconcile the Plan and Participant accounts daily.

6. Reconcile and process Participant withdrawal requests and distributions as approved and directed by the Sponsor. All requests are paid based on the current market values of Participants' accounts, not advanced or estimated values. A distribution report will accompany each check.

7. Track individual Participant loans; process loan withdrawals; re−invest loan repayments; and prepare and deliver comprehensive reports to the Sponsor to assist in the administration of Participant loans.

8. Maintain and process changes to Participants' deferral percentage and prospective and existing investment mix elections.

C) Participant Reporting

1. Provide confirmation to Participants of all Participant initiated transactions either online or via the mail. Online confirms are generated upon submission of a transaction and mail confirms are available by mail within three to five calendar days of the transaction.

2. Provide Participants with opportunity to generate electronic statements via NetBenefits for activity for the requested time period. Upon Participant request, Fidelity will provide paper statements to the Participant via first class mail.

3. Provide Participants with required Code Section 402(f) notification for distributions from the Plan. This notice advises Participants of the tax consequences of their Plan distributions.

4. Provide Participants with required Code Section 411(a)(11) notification for distributions from the Plan. This notice advises Participants of the normal and optional forms of payment of their Plan distributions.

D) Plan Reporting

1. Prepare, reconcile and deliver a monthly Trial Balance Report presenting all money classes and investments. This report is based on the market value as of the last business day of the month. The report will be delivered not later than twenty (20) calendar days after the end of each month in the absence of unusual circumstances.

E) Government Reporting

1. Process year−end tax reports for Participants − Forms 1099−R, as well as preparation of Form 5500 in accordance with the guidelines set forth on Schedule "O".

F) Communication & Education Services

1. Design, produce and distribute a customized comprehensive communications program for employees. The program may include multimedia informational materials, investment education and planning materials, access to Fidelity's homepage on the internet and STAGES magazine. Additional fees for such services may apply as mutually agreed upon between Sponsor and Trustee.

2. Provide Fidelity PortfolioPlannerSM an internet−based educational service for Participants that generates target asset allocations and model portfolios customized to investment options in the Plan based upon methodology provided by Strategic Advisers, Inc., an affiliate of the Trustee. The Sponsor acknowledges that it has received the ADV Part II for Strategic Advisers, Inc. more than 48 hours prior to executing the Trust agreement.

G) Other

1. Non−Discrimination Testing: Perform non−discrimination limitation
testing upon request. In order to obtain this service, the client shall be required to provide the information identified in the Fidelity Discrimination Testing Package Guidelines. Any fees and restrictions associated with this testing service shall be addressed in such guidelines.

2. Plan Sponsor Webstation: The Fidelity Participant Recordkeeping System is available on-line to the Sponsor via the Plan Sponsor Webstation. PSW is a graphical, Windows-based application that provides current plan and Participant-level information, including indicative data, account balances, activity and history

3. Change of Address by Telephone: The Trustee shall allow terminated and retired Participants to make address changes via Fidelity's toll-free telephone service.

4. De Minimis Distributions: After a Participant terminates employment and is eligible for a distribution, the Trustee through the Recordkeeper will determine whether the vested account balance exceeds $5,000, exceeded $5,000 at any prior distribution or in-service withdrawal date in the account history at Fidelity or exceeds $5,000 at the end of the warning period (at least 30 days, but not more than 70 days, from the determination date). If not, the Trustee through the Recordkeeper will process a mandatory and immediate cashout, subject only to the requirement to offer a rollover opportunity. The $5,000 threshold will be determined based on criteria provided by the Sponsor and will increase or decrease as Congress may from time to time amend this threshold in Code Section 411(a)(11).

5. Roll-In Processing. The Trustee through the Recordkeeper shall process the qualification of rollover contributions to the Trust. The procedures for qualifying a rollover are directed by the Sponsor and the Trustee through the Recordkeeper shall accept or deny each rollover based upon the Plan's written criteria and any written guidelines provided by the Sponsor and documented in the Plan Administration Manual.

   Requests that do not meet the specified criteria will be returned to the Participant with further explanation as to why the request cannot be processed. If the Sponsor or the Trustee through the Recordkeeper determine that a request is not a valid rollover, the full amount of the requested rollover will be distributed to the Participant.

6. Minimum Required Distributions: Monitor and process minimum required distribution ("MRD") amounts as follows: the Trustee through the Recordkeeper shall notify the MRD Participant and, upon notification from the MRD Participant, shall use the MRD Participant's information to process their distribution. If the MRD Participant has terminated employment and does not respond to the Trustee's notification, the Sponsor hereby directs the Trustee through the Recordkeeper to automatically begin the required distribution for the MRD Participant. In the case of any other MRD Participant who does not respond to the Recordkeeper's notification, the Recordkeeper shall not proceed with the distribution.

7. Qualified Domestic Relations Order Processing: The Recordkeeper will provide Qualified Domestic Relations Order support by supplying interested parties with plan and benefit information, suspending payments upon notification that a domestic relations order has been submitted, and executing all administrative action required by that order after it has been qualified by the Administrator.

LIZ CLAIBORNE, INC.

By: /s/ Michael Scarpa 9/29/03
Date

FIDELITY MANAGEMENT TRUST COMPANY

By: /s/ Rebecca Hays 10/9/03
FMTC Authorized Signatory Date

FIDELITY INVESTMENTS
INSTITUTIONAL OPERATIONS
COMPANY, INC.

By: /s/ Rebecca Hays 10/9/03
FIIOC Authorized Signatory Date

SCHEDULE "B" − Fee Schedule

Annual Participant Fee:	$0 per Participant.
Loan Fee:	Establishment fee of $35.00 per loan account; annual fee of $15.00 per loan account.
Minimum Required Distribution:	$25.00 per Participant per MRD Withdrawal.
In−Service Withdrawals:	$20.00 per withdrawal.
Return of Excess Contribution Fee:	$25.00 per Participant, one−time charge per calculation and check generation.
Non−Fidelity Mutual Funds:	Fees paid directly to Fidelity Investments Institutional Operations Company, Inc. (FIIOC) or its affiliates by Non−Fidelity Mutual Fund vendors shall be posted and updated quarterly on Plan Sponsor Webstation at https://psw.fidelity.com or a successor site.
Self Directed Brokerage:	Fidelity BrokerageLink Plan Related Account Fee:
	Annual Account Fee of $100 per account within each plan per year. To be calculated and deducted quarterly from the SPO if sufficient funds are available in the SPO. If there are insufficient funds in the SPO, fees shall be deducted from the BrokerageLink Core Account. Fidelity BrokerageLink Plan account minimum initial investment is $2,500; subsequent transfer minimum is $1,000. Brokerage fees and commissions for individual trades will be charged in accordance with a separate commission schedule.
Signature Ready 5500:	The standard fee is waived; provided, however, if all required information is not received until after 5 1/2months following the Plan's year−end, there will be a late processing charge of $1,000 per Plan affected. Any revisions requested by the Plan Sponsor after Fidelity has initially prepared and submitted the Form 5500 to the

Plan Sponsor will be processed at a rate of $100 per hour.

* Other Fees: Separate charges may apply for extraordinary expenses resulting from large numbers of simultaneous manual transactions, from errors not caused by Fidelity, reports not contemplated in this Agreement, corporate actions, or the provision of communications materials in hard copy which are also accessible to Participants via electronic services in the event that the provision of such material in hard copy would result in an additional expense deemed to be material. Fees for corporate actions will be negotiated separately, based on the characteristics of the project as well as the overall relationship at the time of the project.

Stable Value Fees:

* Existing Stable Value Fund Administration Fee: 0.05% (5 basis points) on all existing stable value funds.

* Expenses associated with the custody of assets underlying synthetic investment contracts will be borne by the portfolio.

Stock Administration Fee:

* To the extent that assets are invested in Sponsor Stock, 0.05% (5 basis points) of such assets in the Trust payable pro rata quarterly on the basis of such assets as of the calendar quarter's last valuation date, but no less than $5,000 nor more than $17,500 per year.

Note: These fees have been negotiated and accepted based on the following Plan characteristics: 1 plan in the relationship, current plan assets of $170.6 million, current participation of 5,778 Participants, current assets in investment contracts of $41.1 million, current stock assets of $17.2 million, total Fidelity actively managed Mutual Fund assets of $24.8 million, total Fidelity non-actively managed Mutual Fund assets of $43.0 million, total Non-Fidelity Mutual Fund assets of $ 40.8 million, Self Directed Brokerage assets of $3.7 million and projected net cash flows of $7.0 million per year. Fees will be subject to revision if these Plan characteristics change significantly by either falling below or exceeding current or projected levels. Fees also have been based on the use of up to 16 investment options, and such fees will be subject to revision if additional investment options are added.

LIZ CLAIBORNE, INC.

By: /s/ Michael Scarpa 9/29/03
Date

FIDELITY MANAGEMENT TRUST COMPANY

By: /s/ Rebecca Hays 10/9/03
FMTC Authorized Signatory Date

FIDELITY INVESTMENTS
INSTITUTIONAL OPERATIONS
COMPANY, INC.

By: /s/ Rebecca Hays 10/9/03
FIIOC Authorized Signatory Date

SCHEDULE "C" − Investment Options

In accordance with Section 5(b), the Named Fiduciary hereby directs the Trustee that Participants' individual accounts may be invested in the following investment options:

- Liz Claiborne Company Stock Fund
- Managed Income Fund
- BrokerageLink(R)
- Fidelity Freedom 2000 Fund(R)
- Fidelity Freedom 2010 Fund(R)
- Fidelity Freedom 2020 Fund(R)
- Fidelity Freedom 2030 Fund(R)
- Fidelity Freedom 2040 Fund(R)
- Fidelity Freedom Income Fund(R)
- Fidelity U.S. Bond Index Fund
- Spartan(R) U.S. Equity Index Fund
- Alger Mid Cap Growth Institutional Portfolio − Institutional Class
- Growth Fund of America − Class R4
- Morgan Stanley Institutional Fund, Inc. − International Equity Portfolio − Class B
- Royce Total Return Fund
- The Oakmark Fund − Class I

The Named Fiduciary hereby directs that the investment option referred to in Section 5(c) and Section 5(e)(vi)(B)(5) shall be Managed Income Fund.

LIZ CLAIBORNE, INC.

By: /s/ Michael Scarpa 9/29/03
Date

SCHEDULE "D" − Authorized Signers (Administrator)

[Sponsor's Letterhead]

[Date]

Ms. Suzanne Bishop
FESCo Business Compliance
Contracts Administration
82 Devonshire Street, MM3H
Boston, MA 02109

[Name of Plan]
_____

*** NOTE: This schedule should contain names and signatures for ALL individuals who will be providing directions to Fidelity representatives in connection with the Plan.

Fidelity representatives will be unable to accept directions from any individual whose name does not appear on this schedule.***

Dear Bishop:

This letter is sent to you in accordance with Section 8(b) of the Trust Agreement, dated as of [date], among [name of Plan Sponsor] and Fidelity Management Trust Company and Fidelity Investments Institutional Operations Company, Inc. [I or We] hereby designate [name of individual], [name of individual], and [name of individual], as the individuals who may provide directions on behalf of the Administrator upon which Fidelity Management Trust Company and Fidelity Investments Institutional Operations Company, Inc. shall be fully protected in relying. Only one such individual need provide any direction. The signature of each designated individual is set forth below and certified to be such.

You may rely upon each designation and certification set forth in this letter until [I or we] deliver to you written notice of the termination of authority of a designated individual.

Very truly yours,

[SPONSOR]

By:

[signature of designated individual]
_____
[name of designated individual]

[signature of designated individual]
_____
[name of designated individual]

[signature of designated individual]
_____
[name of designated individual]

SCHEDULE "E" − Authorized Signers (Named Fiduciary)

[Sponsor's Letterhead]

[Date]

Ms. Suzanne Bishop
FESCo Business Compliance
Contracts Administration
82 Devonshire Street, MM3H
Boston, MA 02109

[Name of Plan]
_____

*** NOTE: This schedule should contain names and signatures for ALL individuals who will be providing directions to Fidelity representatives in connection with the Plan.

Fidelity representatives will be unable to accept directions from any individual whose name does not appear on this schedule.***

Dear Ms. Bishop:

This letter is sent to you in accordance with Section 8(c) of the Trust Agreement, dated as of [date], among [name of Plan Sponsor] and Fidelity Management Trust Company and Fidelity Investments Institutional Operations Company, Inc. [I or We] hereby designate [name of individual], [name of individual], and [name of individual], as the individuals who may provide directions on behalf of the Named Fiduciary upon which Fidelity Management Trust Company and Fidelity Investments Institutional Operations Company, Inc. shall be fully protected in relying. Only one such individual need provide any direction. The signature of each designated individual is set forth below and certified to be such.

You may rely upon each designation and certification set forth in this letter until [I or we] deliver to you written notice of the termination of authority of a designated individual.

Very truly yours,

[SPONSOR]

By

[signature of designated individual]
_____
[name of designated individual]

[signature of designated individual]
_____
[name of designated individual]

[signature of designated individual]
_____
[name of designated individual]

SCHEDULE "F" − Statement of Qualified Status

[Law Firm Letterhead]

**Note: This Schedule is not necessary if the Plan's IRS determination letter is not more than two (2) years old.

Ms. Suzanne Bishop
FESCo Business Compliance
Contracts Administration
82 Devonshire Street, MM3H
Boston, MA 02109

[Name of Plan]
_____

Dear Ms. Bishop:

In accordance with your request, this letter sets forth our opinion with respect to the qualified status under section 401(a) of the Internal Revenue Code of 1986 (including amendments made by the Employee Retirement Income Security Act of 1974) (the "Code"), of the [name of plan], as amended to the date of this letter (the "Plan").

The material facts regarding the Plan as we understand them are as follows. The most recent favorable determination letter as to the Plan's qualified status under section 401(a) of the Code was issued by the [location of Key District] District Director of the Internal Revenue Service and was dated [date] (copy enclosed). The version of the Plan submitted by [name of company] (the "Company") for the District Director's review in connection with this determination letter did not contain amendments made effective as of [date]. These amendments, among other matters, [brief description of amendments]. [Subsequent amendments were made on [date] to amend the provisions dealing with [brief description of amendments].]

The Company has informed us that it intends to submit the Plan to the [location of Key District] District Director of the Internal Revenue Service and to request from him a favorable determination letter as to the Plan's qualified status under section 401(a) of the Code. The Company may have to make some modifications to the Plan at the request of the Internal Revenue Service in order to obtain this favorable determination letter, but we do not expect any of these modifications to be material. The Company has informed us that it will make these modifications.

Based on the foregoing statements of the Company and our review of the provisions of the Plan, it is our opinion that the Internal Revenue Service will issue a favorable determination letter as to the qualified status of the Plan, as modified at the request of the Internal Revenue Service, under section 401(a) of the Code, subject to the customary condition that continued qualification of the Plan, as modified, will depend on its effect in operation.

[Furthermore, in that the assets are in part invested in common stock issued by the Company or an affiliate, it is our opinion that the Plan is an "eligible individual account plan" (as defined under Section 407(d)(3) of ERISA) and that the shares of common stock of the Company held and to be purchased under the Plan are "qualifying employer securities" (as defined under Section 407(d)(5) of ERISA). Finally, it is our opinion that interests in the Plan are not required to be registered under the Securities Act of 1933, as amended, or, if such registration is required, that such interests are effectively registered under said Act.]

Sincerely,

[name of law firm]

By: [signature]
_____
[name of partner]

SCHEDULE "G" − Existing Stable Value Funds

A. In accordance with Section 5(b), the Named Fiduciary hereby directs the Trustee to continue to hold the following existing stable value fund until such time as the Named Fiduciary directs otherwise. FMTC agrees to act as directed trustee for the following existing stable value fund and such other assets or securities as evidenced by the certified trustee statement where FMTC has assumed custodianship:

- Issuer: American Express Trust Company
- Name: American Express Trust Income Fund II

LIZ CLAIBORNE, INC. FIDELITY MANAGEMENT TRUST COMPANY

By: /s/ Michael Scarpa 9/29/03 By: /s/ Rebecca Hays 10/9/03
_____ _____
Date FMTC Authorized Signatory Date

SCHEDULE "H" − Exchange Guidelines

The following exchange guidelines are currently employed by FIIOC.

Participants may initiate exchanges, via a Fidelity Participant service representative, from 8:30 a.m. (ET) to 8:00 p.m. in the Participant's time zone in the continental United States on each Business Day.

Participants may initiate exchanges, via VRS and the internet (NetBenefitsSM) virtually 24 hours a day.

FIIOC reserves the right to change these exchange guidelines at its discretion.

Note: The NYSE's normal closing time is 4:00 p.m. (ET); in the event the NYSE closes before such time or alters its closing time, all references below to 4:00 p.m. (ET) shall mean the actual or altered closing time of the NYSE.

General Rule for Plan Investment Options

Exchanges Between Plan Investment Options

Except as otherwise described below, exchanges between Plan investment options are processed on a daily cycle, market conditions permitting. Participants may contact Fidelity on any day to initiate an exchange between the Plan's investment options. If the request is confirmed before the close of the market (generally 4:00 p.m. (ET)), on a Business Day, it will receive that day's trade date. Requests confirmed after the close of the market on a Business Day (or on any day other than a Business Day) will be processed on a next Business Day basis.

Exceptions or Other Restrictions

Sponsor Stock:

Provided that the Sponsor Stock Fund is open for purchases and sales of units, the following rules will govern exchanges:

o Exchanges From Other Plan Investment Options into Sponsor Stock

Participants may contact Fidelity on any day to initiate an exchange into Sponsor Stock from another Plan investment option. If the request is confirmed before the close of the market (generally 4:00 p.m. (ET)), on a Business Day, it will receive that day's trade date. Requests confirmed after the close of the market on a Business Day (or on any day other than a Business Day) will be processed on a next Business Day basis.

o Exchanges From Sponsor Stock into Other Plan Investment Options

If Fidelity receives the request before the close of the market on any Business Day and Available Liquidity is sufficient to honor the trade after Specified Hierarchy rules are applied, it will receive that day's trade date. Requests received by Fidelity after the close of the market on any Business Day (or on any day other than a Business Day) will be processed on a next Business Day basis, subject to Available Liquidity for such day after application of Specified Hierarchy rules. If Available Liquidity on any day is insufficient to honor the trade after application of Specified Hierarchy rules, it will be suspended until Available Liquidity is sufficient, after application of Specified Hierarchy rules, to honor such trade, and it will receive the trade date and Closing Price of the date on which it was processed.

Competing Fund Restriction:

o Equity Wash

Participants will not be permitted to make direct transfers between the Managed Income Fund into a competing fund. Participants who wish to exchange between the Managed Income Fund into a competing fund must first exchange into a non-competing fund for a period of 90 days.

BrokerageLink Option:

o Exchanges from Investment Options (Standard Plan Option) into BrokerageLink Option

If a request to exchange into BrokerageLink is confirmed before the close of the market (generally 4:00 p.m. ET) on any Business Day, the SPO investment option redemption will receive that day's trade date. The purchase into the BrokerageLink Core Account, Fidelity Cash Reserves, will receive the next Business Day's trade date. Requests confirmed after the close of the market on a Business Day will be processed on a next Business Day basis.

Although there is a one day lag in the trade date of the purchase into the BrokerageLink Core Account, Participants can trade in their BrokerageLink account prior to the actual exchanged assets being credited to the BrokerageLink Core Account, if the Participant initiates the exchange via a Participant services representative. Participants who initiate an exchange will have 90% of the assets immediately available to trade through a brokerage representative. The next Business Day 100% of the exchanged amount will be available for trading through a brokerage representative, FAST or the world wide web (Fidelity.com).

o Exchanges from BrokerageLink Option into Mutual Funds (Standard Plan Option)

Each Plan must designate a SPO Option as the default fund to which all exchanged assets from BrokerageLink to SPO are credited. Participants will have no choice as to where these assets are invested upon transfer from the FBSLLC system. If a Participant wants to reallocate to other investment options, he/she must call after they have been credited to Fidelity's Participant Recordkeeping System ("FPRS").

A Participant may call on any Business Day to transfer from their BrokerageLink account to their SPO default fund. Participants must speak to a brokerage representative to exchange from their BrokerageLink account into the SPO. The transfer will involve a redemption from the BrokerageLink Core Account (Fidelity Cash Reserves). If the request is confirmed before the close of market on a Business Day, the BrokerageLink Core Account redemption will receive that day's trade date. The purchase into the SPO default fund will receive that day's trade date. Requests confirmed after the close of the market on a Business Day (or on any day other than a Business Day) will be processed on a next Business Day basis.

When placing the sell order in his/her BrokerageLink account, the Participant may not request that upon settlement of the sell, assets be transferred from BrokerageLink to the SPO default fund. The Participant must call back after each settlement to transfer funds from Fidelity Cash Reserves into the SPO default fund.

LIZ CLAIBORNE, INC.

By: /s/ Michael Scarpa

Name: Michael Scarpa

Title: Senior VP Finance, CFO

Date: 9/29/03

SCHEDULE "I" − Operational Guidelines for Non−Fidelity Mutual Funds

Pricing

By 7:00 p.m. Eastern Time ("ET") each Business Day, the Non−Fidelity Mutual Fund Vendor (Fund Vendor) will transmit the following information ("Price Information") to FIIOC: (1) the NAV for each Fund prior to the close of trading on the New York Stock Exchange ("Close of Trading"), (2) the change in each Fund's NAV from the Close of Trading on the prior Business Day, (3) in the case of an income fund or funds, the daily accrual for interest rate factor ("mil rate"), and (4) on ex dividend date, if applicable, dividend and capital gain information. FIIOC must receive Price Information each Business Day. If on any Business Day the Fund Vendor does not provide such Price Information to FIIOC, FIIOC shall pend all associated transaction activity in the Plan until the relevant Price Information is made available by Fund Vendor.

Trade Activity and Wire Transfers

Each Business Day following Trade Date ("Trade Date plus One"), FIIOC or National Financial Services Corporation LLC ("NFS"), an affiliate of FIIOC, will provide, via facsimile, to the Fund Vendor a consolidated report of net purchase or net redemption activity that occurred in each of the Funds at the Close of Trading on the prior Business Day. The report will reflect the dollar amount of assets and shares to be invested or withdrawn for each Fund. FIIOC or NFS will transmit this report to the Fund Vendor each Business Day, regardless of processing activity. In the event that data contained in the facsimile transmission represents estimated trade activity, FIIOC or NFS shall provide a final facsimile to the Fund Vendor. Any resulting adjustments shall be processed by the Fund Vendor at the net asset value for the prior Business Day.

The Fund Vendor shall send via regular mail to FIIOC or NFS transaction confirms for all daily activity in each of the Funds. The Fund Vendor shall also send via regular mail to FIIOC or NFS, by no later than the fifth Business Day following calendar month close, a monthly statement for each Fund. FIIOC and NFS agree to notify the Fund Vendor of any balance discrepancies within twenty (20) Business Days of receipt of the monthly statement.

For purposes of wire transfers, FIIOC or NFS shall transmit a daily wire for aggregate purchase activity and the Fund Vendor shall transmit a daily wire for aggregate redemption activity, in each case including all activity across all Funds occurring on the same day.

Prospectus Delivery

FIIOC shall be responsible for the timely delivery of Fund prospectuses and periodic Fund reports ("Required Materials") to Participants, and shall retain the services of a third−party vendor to handle such mailings. The Fund Vendor shall be responsible for all materials and production costs, and agrees to provide the Required Materials to the third−party vendor selected by FIIOC. The Fund Vendor shall bear the costs of mailing annual Fund reports to Participants. FIIOC shall bear the costs of mailing prospectuses to Participants.

Proxies

The Fund Vendor shall be responsible for all costs associated with the production of proxy materials. FIIOC shall retain the services of a third−party vendor to handle proxy solicitation mailings and vote tabulation. Expenses associated with such services shall be billed directly to the Fund Vendor by the third−party vendor.

Participant Communications

The Fund Vendor shall provide internally−prepared fund descriptive information approved by the Funds' legal counsel for use by FIIOC in its written Participant communication materials. FIIOC shall utilize historical performance data obtained from third−party vendors (currently Morningstar, Inc., FACTSET Research Systems and Lipper Analytical Services) in telephone conversations with Participants and in quarterly Participant statements. The Sponsor hereby consents to FIIOC's use of such materials and acknowledges that FIIOC is not responsible for the accuracy of such third−party information. FIIOC shall seek the approval of the Fund Vendor prior to retaining any other third−party vendor to render such data or materials under this Agreement.

Compensation

FIIOC shall be entitled to fees as set forth in a separate agreement with the Fund Vendor.

Schedule "J" − Securities That May Be Purchased Under the BrokerageLink Option

Fidelity Mutual Funds
Fundsnetwork(R) Funds

SCHEDULE "K" − BrokerageLink Administrative Procedures

This Schedule spells out the actions that FIIOC or its successor will take to rectify various situations that might arise in BrokerageLink accounts as an option in the Plan(s). By signing this Schedule, the Plan agrees to the terms of this Schedule as standing instructions for FIIOC to take the appropriate action to comply with the Trust document and to facilitate customer service and operations processing.

General

As necessary, FIIOC will initiate a transaction in the Participant's BrokerageLink Core Account to rectify a situation in the Participant's SPO. FIIOC will initiate a sell trade in the Participant's BrokerageLink security position, if the terms of the Trust agreement have been violated. In the case where FIIOC initiates a sell trade to collect account fees FIIOC will look to the BrokerageLink Core Account. In problem resolution situations that are not violations of the Trust agreement, then FIIOC will look to the Sponsor for direction with regard to the Participant's BrokerageLink account. The Participant will be notified of these transactions by a confirmation.

All purchases or sales of individual securities must be made by FBSLLC.

Participants must complete and submit a BrokerageLink application prior to the transfer of any funds into BrokerageLink.

Unsecured debit or overdraft

If there is an unsecured debit or overdraft, then FIIOC will place a sell trade order(s) in the Participant's BrokerageLink account to raise enough cash to cover the unsecured debit or overdraft. The securities that will be sold will be selected on a last in − first out basis. Only enough shares/par of the security(ies) will be sold to cover the unsecured debit or overdraft. Any trade related expenses (commissions, other fees) and realized gain or loss will be borne by the Participant. The Participant will be notified of these transactions by a confirmation.

Restricted sources

A Plan may restrict sources from being transferred to BrokerageLink. If FIIOC identifies any restricted source assets that have been transferred to BrokerageLink, then FIIOC will take action to return the original transferred amount related to the restricted source(s) to SPO.

If there are enough assets in the Participant's BrokerageLink Core Account, then FIIOC will initiate a trade order to transfer the assets from the BrokerageLink Core Account to SPO. The assets will be credited to the SPO default fund. The Participant will be notified of these transactions by a confirmation.

If there are not enough assets, FIIOC will place a sell trade order(s) in the Participant's BrokerageLink account to raise enough cash to cover the restricted source assets. The securities that will be sold will be selected on a last in − first out basis. Only enough shares/par of the security(ies) will be sold to cover the restricted source assets. Any trade related expenses (commissions, other fees) and realized gain or loss will be borne by the Participant. The assets will be returned to the SPO default fund. The Participant will be notified of these transactions by a confirmation.

Non−vested assets

A Plan may restrict non−vested assets from being transferred to BrokerageLink. If FIIOC identifies any non−vested assets that have been transferred to BrokerageLink, then FIIOC will take action to return the original transferred amount related to the non−vested assets to SPO.

If there are enough assets in the Participant's BrokerageLink Core Account, then FIIOC will initiate a trade order to transfer the assets from the BrokerageLink Core Account to SPO. The assets will be credited to the SPO default fund. The Participant will be notified of these transactions by a confirmation.

If there are not enough assets, FIIOC will place a sell trade order in the Participant's BrokerageLink account to raise enough liquid assets to cover the non−vested assets. The securities that will be sold will be selected on a last in − first out basis. Only enough shares/par of the security(ies) will be sold to cover the non−vested assets. Any trade related expenses (commissions, other fees) and realized gain or loss will be borne by the Participant. The assets will be returned to the SPO default fund. The Participant will be notified of these transactions by a confirmation.

Restricted or ineligible securities

The Plan has designated that certain securities or security types be restricted from being purchased by Participants. If FIIOC identifies a restricted security that has been purchased by a Participant, then FIIOC will place a sell trade order in the Participant's BrokerageLink account to remove that security from the Plan. Any trade related expenses (commissions, other fees) and realized gain or loss will be borne by the Participant. The liquidated assets will be credited to the BrokerageLink Core Account. The Participant will be notified of these transactions by a confirmation.

Unauthorized channel deposits

Participants may deposit money into their BrokerageLink account only through the SPO recordkeeping system. A Participant may not deposit money to the BrokerageLink account by any other means than payroll deduction to the SPO. Money that is deposited to the BrokerageLink account in any other way is considered to be an unauthorized channel.

If money is deposited to a BrokerageLink account via an unauthorized channel, then FIIOC will initiate the removal of that money. If there are enough assets in the Participant's BrokerageLink Core Account, then FIIOC will request that a check be cut in the amount of the original deposit. The check will be mailed to the Participant.

If there are not enough assets in the Participant's BrokerageLink Core Account, then FIIOC will place a sell trade order(s) in the Participant's BrokerageLink account to raise enough liquid assets to cover the unauthorized channel deposit. The securities that will be sold will be selected on a last in − first out basis. Only enough shares/par of the security(ies) will be sold to cover the unauthorized channel deposit. Any trade related expenses (commissions, other fees) and realized gain or loss will be borne by the Participant. Once the sell transactions have settled, FIIOC will request that a check be cut for the original amount. The check will be mailed to the Participant.

Unauthorized channel withdrawals

Participants may withdraw money from their BrokerageLink account only through the SPO recordkeeping system (FPRS). A Participant may not withdraw money from the BrokerageLink account by any other means than by speaking to a Fidelity phone representative. Money that is withdrawn from the BrokerageLink account in any other way is considered to be an unauthorized channel.

If money is withdrawn through an unauthorized channel, FIIOC will contact the Participant and request that the withdrawn assets be returned to FIIOC. FIIOC will redeposit the assets in the Participant's BrokerageLink account.

Non−discrimination testing

If a distribution of excess contribution (all are not excess contributions − this term is meant as catch−all) needs to be made from a Participant's retirement savings account due to discrimination testing reasons, FIIOC will first look to SPO for available assets. If there are not enough assets in SPO, then FIIOC will look to the BrokerageLink account.

If there are ample assets in the Participant's BrokerageLink Core Account, then FIIOC will initiate the transfer of the assets to the SPO default fund. The distribution of excess contributions will then be made from SPO according to the appropriate hierarchy.

Qualified Domestic Relation Orders ("QDRO's")

FIIOC will comply with the terms of the QDRO. If a BrokerageLink account is involved in a QDRO situation, then FIIOC will take direction from the Sponsor as to the actions to be taken with regards to potentially splitting the BrokerageLink account.

Deaths

FIIOC will comply with the terms of the applicable legal documents in the event of a Participant death. If an BrokerageLink account is involved in a death, then FIIOC will take direction from the Sponsor as to the action to be taken with regards to any potential activity in the BrokerageLink account.

Systematic Withdrawal Payments/Minimum Required Distributions

All withdrawals, systematic or otherwise, are debited from the Participant's SPO. If a Participant wants their balances in BrokerageLink included in the withdrawal they must move all balances out of brokerage and into the SPO.

Fees

All Plan related fees that are paid by the Participant are debited from the Participant's SPO. If there are not enough assets in SPO to pay fees of any nature, then FIIOC will look to the BrokerageLink account.

If there are ample assets in the Participant's BrokerageLink Core Account, then FIIOC will initiate the transfer of the fee plus 10% , to cover market value fluctuations, to the SPO default fund to cover the current fees.

LIZ CLAIBORNE, INC.

By /s/ Michael Scarpa 9/29/03
_____
Date

SCHEDULE "L" − Operational Procedures for Hardship Withdrawals by Phone

1. The Participant calls the Trustee to request a hardship withdrawal.

2. Assuming the Participant has met initial Plan requirements, the Participant Services Representative enters the hardship request.

   Plan requirements are as follows:

   - The individual is an active Participant with an available pre−tax balance;
   - All other non−hardship, in−service withdrawals have been made (including from protected sources and age 59 1/2 withdrawals);
   - All loanable assets have been exhausted;
   - The Participant declares that the hardship withdrawal meets one of the IRS's four safe harbor provisions.

3. The Trustee mails the hardship withdrawal application and procedures to the Participant's home.

4. The Participant adheres to the following procedures to execute the transaction:

   - Reviews the application carefully and notes the expiration date.
   - Signs the application and procedures page.
   - Makes copies of the required documentation noted on the second page of the procedures.
   - Submits the signed application, signed procedures and required documentation to:

     Regular Mail:
     Fidelity Investments
     Liz Claiborne, Inc.
     P.O. Box 770001
     Cincinnati, OH 45277−0018

     Overnight Mail:
     Fidelity Investments
     Liz Claiborne, Inc.
     100 Crosby Parkway
     Covington, KY 41015

5. The Trustee receives the Participant's application and reviews it for the Participant's signature and required documentation.

The required documentation includes one of the following:

- Purchase (excluding mortgage payments) of primary residence

  A copy of the Purchase and Sale Agreement signed by both the buyer and seller, or a copy of the Construction Contract for new construction and a copy of estimated closing costs.

- Payment of tuition for the next year of post−secondary education for the Participant, his/her spouse, children or dependents.

  A copy of the bill from the educational institution or a letter from the educational institution (must be on the school's letterhead) attesting to the fact the student is enrolled for the next 12 months and providing the costs for tuition, room and board, and books.

- Payment of deductible medical or dental expenses not covered by insurance for the Participant, his/her spouse, children or dependents

  An Explanation of Benefits (EOB) form from the Participant's insurance carrier, or a copy of the letter from the Participant's HMO, detailing any out−of pocket deductibles, copayments or denial of coverage for services rendered.

- Payment needed to prevent eviction under the terms of a lease agreement or foreclosure on the mortgage of the Participant's primary residence.

  A Notice of Eviction or Foreclosure in writing from the landlord or mortgage holder, including the amount in arrears that must be paid in order to avoid eviction or foreclosure.

6. If the application and documentation meet the requirements, the Trustee will execute the transaction and mail the check directly to the Participant's home.

7. If the application and documentation do not meet the requirements, the Trustee will send a letter to the Participant indicating that the hardship request was rejected and the reason for rejection (i.e. no signature, improper documentation).

8. If the Trustee is unsure whether the Participant's documentation meets the requirements, the Trustee will forward the hardship request to the Sponsor for direction (written approval or rejection).

9. Suspensions shall be processed in accordance with the Plan Administration Manual.

LIZ CLAIBORNE, INC.

By: /s/ Michael Scarpa
_____

SCHEDULE "M" − Available Liquidity Procedures for Unitized Stock Fund

The following procedures shall govern sales of the Sponsor Stock Fund requested for a day on which Available Liquidity is insufficient:

1. Loans, withdrawals and distributions will be aggregated and placed first in the hierarchy. If Available Liquidity is sufficient for the aggregate of such transactions, all such loans, withdrawals and distributions will be honored. If Available Liquidity is not sufficient for the aggregate of such transactions, then such transactions will be suspended, and no transactions requiring the sale of Sponsor Stock Fund units shall be honored for that day.

2. If Available Liquidity has not been exhausted by the aggregate of loans, withdrawals and distributions, then all remaining transactions involving a sale of units in the Sponsor Stock Fund (exchanges out) shall be grouped on the basis of when such requests were received, in accordance with standard procedures maintained by the Trustee for such grouping as they may be amended from time to time. To the extent of Available Liquidity, groups of exchanges out of the Sponsor Stock Fund shall be honored, by group, on a FIFO basis. If Available Liquidity is insufficient to honor all exchanges out within a group, then none of the exchanges out in such group shall be honored, and no exchanges out in a later group shall be honored.

3. Transactions not honored on a particular day due to insufficient Available Liquidity shall be honored, using the hierarchy specified above, on the next business day on which there is Available Liquidity.

SCHEDULE "N" − Operating Procedures for the Managed Income Fund of the Liz Claiborne 401(K) Savings & Profit Sharing Plan

I. Description of Investment Option

The Managed Income Fund (the "Portfolio") will be comprised of units in the Colchester Street Trust: Money Market Portfolio: Class I ("STIF") if required as described below, units in the Fidelity Group Trust for Employee Benefit Plans Managed Income Portfolio II ("MIP2"), and units in the existing American Express Trust Income Fund II purchased prior to the effective date of the Trust Agreement between Fidelity Management Trust Company (the "Trustee") and Liz Claiborne (the "Sponsor").

II. Investment Option Transactions

All transactions for the Portfolio will be coordinated by the Trustee based on the procedures outlined in this document.

III. Valuation

The Trustee will value the Portfolio at a net asset value of $1 per share, on a daily basis and produce a blended mil rate to reflect the net income earned by the Portfolio.

Income will accrue in accordance with the actual crediting rate practices of each underlying asset in the Portfolio. Accrued interest will be posted to participant accounts at month end.

IV. Money Movement

All money transfers to and from the Portfolio will be made through the STIF. At such time that Portfolio assets in MIP2 are equal to or greater than 20% then the STIF will be removed and henceforth all money transfers to and from the Portfolio will be made through MIP2. If at anytime the percentage of Portfolio assets invested in MIP2 falls below 5% a STIF will be reintroduced to the Portfolio. This STIF will remain in place until the percentage of Portfolio assets invested in MIP2 increase to or are above 20%. If a STIF is utilized then all money transfers to and from the Portfolio will be made through the STIF portion of the Portfolio. Plan level transactions representing cumulative participant level transactions will update nightly to the STIF portion to ensure next day settlement of all transactions.

V. STIF Management

The Sponsor will maintain approximately 3% of the Portfolio in STIF if the Portfolio assets in the MIP2 position are less than 20% initially. Once the 20% threshold is reached a STIF is not required unless the Portfolio assets subsequently drop to below 5%. If a STIF is required the Trustee will monitor the cashflows and the balance of the STIF portion. If the STIF balance exceeds 3%, the Trustee will transfer the excess to the MIP2. If the STIF balance falls below 3%, the Trustee will request money first from MIP2 then from the American Express Trust Income Fund II to replenish the balance to 3%. The STIF percentage may be unilaterally modified by the Trustee if it is determined that the STIF cash policy is not sufficient to maintain cash liquidity in a daily environment.

VI. Investment Contract Maturities

The proceeds from the liquidation of units in the American Express Trust Income Fund II will be transferred to MIP2 unless a STIF component is required. If the Portfolio requires a STIF then proceeds from the liquidation of units in the American Express Trust Income Fund II will be transferred to the STIF portion of the Portfolio for subsequent reinvestment in accordance with Section V. The Trustee will provide wiring instructions to the investment contract carriers.

VII. Reconciliation

The Fidelity Participant Recordkeeping System ("FPRS") will be reconciled to the Managed Income Group Accounting System ("GUIDE") on a daily and monthly basis. The investment contract portion will be reconciled on GUIDE to the carrier balances on a monthly basis.

VIII. Fee Collection for Accounting Services

Accounting fees for the Portfolio will accrue daily and be deducted from the portfolio on a monthly basis.

IX. Changes to the Schedule

This Schedule may be amended or modified at any time and from time to time only by an instrument executed by both the Trustee and the Sponsor.

X. Discontinuance of Accounting Services

The Trustee will discontinue accounting services for the Portfolio upon the earlier of the date all participant balances in the Portfolio are exchanged or withdrawn, the termination of this agreement or the final liquidation of the units in the American Express Trust Income Fund II.

LIZ CLAIBORNE, INC.	FIDELITY MANAGEMENT TRUST COMPANY
By: /s/ Michael Scarpa 9/29/03	By: /s/ Rebecca Hays 10/9/03
Date	Date

SCHEDULE "O" − Form 5500 Service

Effective for the Signature Ready Form 5500 Service ("Service") and the Summary Annual Report ("SAR") prepared for plan year ending December 31, 2003 and thereafter, Fidelity Management Trust Company ("Fidelity") agrees to provide this Service, in accordance with the following:

The Sponsor hereby agrees to:

* Submit the following required information ("Required Information") annually:

  − Completed plan questionnaire ("Questionnaire");
  − Draft or final copy of the audited financial statements; and
  − Copy of the prior year Form 5500 filed with the Department of Labor (DOL) (applicable only if Fidelity did not prepare the plan's prior year Form 5500)

* Provide Fidelity with the Required Information, in the format requested by Fidelity, as soon as possible after the plan's year end − but in no event later than the last day of the 8th month following the plan's year−end (assuming a filing extension has been requested);

* Authorize Fidelity to prepare and execute IRS Form 5558 (Application for Extension) on behalf of the Plan Administrator and file Form 5558 with the IRS in order to obtain an extension of the filing deadline in the event that Fidelity has not received a completed plan Questionnaire within five and one−half (5 1/2) months after the plan's year end;

* Review, sign and mail the Form 5500 prepared by Fidelity to the DOL in a timely manner;

* Distribute the SAR to participants and beneficiaries in a timely manner; and

* Respond to and provide any other information requested by Fidelity, including soliciting any information from the prior recordkeeper, related to the Form 5500.

Fidelity hereby agrees to:

* Provide the Sponsor with the Questionnaire within one and one−half (1 1/2) months after the Plan's year−end;

* File Form 5558 to request an extension of time to file Form 5500 if requested by the Plan Sponsor or if the completed Questionnaire is not received from the Sponsor within five and one half (5 1/2) months after the Plan's year end, as specified above;

* Provide the Sponsor with the Form 5500 at least ten (10) days prior to the required filing date and SAR at least ten (10) days prior to the required mailing date, assuming the Plan Sponsor has submitted the Required Information and has met the filing deadlines as outlined in this agreement;

* Respond to inquiries from the DOL or IRS received by the Sponsor, related to any Form 5500 prepared by Fidelity.

The Plan Sponsor understands that the Form 5500 will be prepared based upon the information provided in the Questionnaire and acknowledges that Fidelity shall have no responsibility for verifying the authenticity or accuracy of the data submitted by the Sponsor on the Questionnaire.

In the event that Fidelity does not receive all Required Information within 8 months after the plan's year-end, Fidelity will not prepare the Form 5500 and the Sponsor shall be responsible for completing the Form 5500 for filing with the DOL. Fidelity will not be held responsible for any late fees or penalties for incomplete filings caused by it not receiving the Required Information within 8 months after the plan's year-end.

Fees related to this Service are set out on Schedule "B" to the Agreement to which this schedule is attached. Further, Signature-Ready 5500 service will continue until the Plan Sponsor provides Fidelity with written direction to the contrary.

LIZ CLAIBORNE, INC.

By: /s/ Michael Scarpa 9/29/03
_____
Date

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Exhibit 10(h)(i)

AMENDMENT 1 TO THE LIZ CLAIBORNE, INC. 2000 STOCK INCENTIVE PLAN

Pursuant to Section 3.1(a) of the Liz Claiborne, Inc. 2000 Stock Incentive Plan (the "Plan"), the Plan is hereby amended effective as of the date set forth below in the following respects:

1. Section 2.7(e) of the Plan is hereby amended and restated to read in its entirety as follows: "Consequence of Termination of Employment. Except as may otherwise be provided by the Committee at any time prior to a grantee's termination of employment, a grantee's termination of employment for any reason (including death) shall cause the immediate forfeiture of all shares of restricted stock that have not yet vested as of the date of such termination of employment, and all dividends paid on such shares also shall be forfeited, whether by termination of any escrow arrangement under which such dividends are held, by the grantee's repayment of dividends received directly, or otherwise."

2. Section 3.8(a) of the Plan is hereby and restated to read in its entirety as follows: "Change in Control Defined. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred:

(i) if any person as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended from time to time (the "Exchange Act"), and as used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act (a "Person"), but excluding the Company, any subsidiary of the Company and any employee benefit plan sponsored or maintained by the Company or any subsidiary of the Company (including any trustee of such plan acting as trustee), directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13(d)−3 under the Exchange Act, as amended from time to time) of Company securities representing 25% or more of either (i) the then outstanding shares of the Company's common stock or (ii) the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; provided, however, that the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company (excluding an acquisition by virtue of the exercise of a conversion privilege), or (B) any acquisition by any corporation or similar entity pursuant to a reorganization, merger or consolidation if following such reorganization, merger or consolidation, the conditions described in sub−clauses (l), (2), and (3) of Section 3.8(a)(iii) below have been satisfied; or

(ii) if individuals who, as of December 18, 2003, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at

least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) upon consummation of a reorganization, merger or consolidation of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the then outstanding shares of common stock of the Company and the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors immediately prior to such Business Combination beneficially own, directly or indirectly, more then fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (2) no Person (excluding (A) any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination and (B) any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, 25% or more of, respectively, the then outstanding shares of the common stock of the Company, or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors) beneficially owns, directly or indirectly, 25% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors, and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement relating to, or of the action of the Incumbent Board providing for, such Business Combination; or

(iv) upon consummation of the sale or other disposition of all or substantially all of the assets of the Company, unless following such transaction (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the then outstanding shares of common stock of the Company and the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in

the election of directors immediately prior to such transaction beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the acquiring corporation (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (2) no Person (excluding (A) any employee benefit plan (or related trust) of the Company or such acquiring corporation and (B) any Person beneficially owning, immediately prior to such transaction, 25% or more of, respectively, the then outstanding shares of the common stock of the Company, or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors) beneficially owns, directly or indirectly, 25% or more of, respectively, the then outstanding shares of common stock of the acquiring corporation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors, and (3) at least a majority of the members of the board of directors of the acquiring corporation were members of the Incumbent Board at the time of the execution of the initial agreement relating to, or of the action of the Incumbent Board providing for, such sale or disposition; or

(v) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company."

IN WITNESS WHEREOF, Liz Claiborne, Inc. has caused this instrument to be executed by its duly authorized officer as of the 18th day of December, 2003.

LIZ CLAIBORNE, INC.

By: /s/ Nicholas Rubino
_____

Name: Nicholas Rubino
_____

Title: Vice President − Deputy General Counsel and Secretary

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Exhibit 10(i)(ii)

AMENDMENT 2 TO THE LIZ CLAIBORNE, INC. 2002 STOCK INCENTIVE PLAN

Pursuant to Section 3.1(a) of the Liz Claiborne, Inc. 2002 Stock Incentive Plan (the "Plan"), the Plan is hereby amended effective as of the date set forth below in the following respects:

1. Section 2.7(e) of the Plan is hereby amended and restated to read in its entirety as follows: "Consequence of Termination of Employment. Except as may otherwise be provided by the Committee at any time prior to a grantee's termination of employment, a grantee's termination of employment for any reason (including death) shall cause the immediate forfeiture of all shares of restricted stock that have not yet vested as of the date of such termination of employment, and all dividends paid on such shares also shall be forfeited, whether by termination of any escrow arrangement under which such dividends are held, by the grantee's repayment of dividends received directly, or otherwise."

2. Section 3.8(a) of the Plan is hereby and restated to read in its entirety as follows: "Change in Control Defined. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred:

(i) if any person as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended from time to time (the "Exchange Act"), and as used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act (a "Person"), but excluding the Company, any subsidiary of the Company and any employee benefit plan sponsored or maintained by the Company or any subsidiary of the Company (including any trustee of such plan acting as trustee), directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13(d)−3 under the Exchange Act, as amended from time to time) of Company securities representing 25% or more of either (i) the then outstanding shares of the Company's common stock or (ii) the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; provided, however, that the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company (excluding an acquisition by virtue of the exercise of a conversion privilege), or (B) any acquisition by any corporation or similar entity pursuant to a reorganization, merger or consolidation if following such reorganization, merger or consolidation, the conditions described in sub−clauses (l), (2), and (3) of Section 3.8(a)(iii) below have been satisfied; or

(ii) if individuals who, as of December 18, 2003, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at

least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) upon consummation of a reorganization, merger or consolidation of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the then outstanding shares of common stock of the Company and the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors immediately prior to such Business Combination beneficially own, directly or indirectly, more then fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (2) no Person (excluding (A) any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination and (B) any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, 25% or more of, respectively, the then outstanding shares of the common stock of the Company, or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors) beneficially owns, directly or indirectly, 25% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors, and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement relating to, or of the action of the Incumbent Board providing for, such Business Combination; or

(iv) upon consummation of the sale or other disposition of all or substantially all of the assets of the Company, unless following such transaction (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the then outstanding shares of common stock of the Company and the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in

the election of directors immediately prior to such transaction beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the acquiring corporation (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (2) no Person (excluding (A) any employee benefit plan (or related trust) of the Company or such acquiring corporation and (B) any Person beneficially owning, immediately prior to such transaction, 25% or more of, respectively, the then outstanding shares of the common stock of the Company, or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors) beneficially owns, directly or indirectly, 25% or more of, respectively, the then outstanding shares of common stock of the acquiring corporation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors, and (3) at least a majority of the members of the board of directors of the acquiring corporation were members of the Incumbent Board at the time of the execution of the initial agreement relating to, or of the action of the Incumbent Board providing for, such sale or disposition; or

(v) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company."

IN WITNESS WHEREOF, Liz Claiborne, Inc. has caused this instrument to be executed by its duly authorized officer as of the 18th day of December, 2003.

LIZ CLAIBORNE, INC.

By: /s/ Nicholas Rubino
_____

Name: Nicholas Rubino
_____

Title: Vice President − Deputy General Counsel
and Secretary

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Exhibit 10(i)(iii)

AMENDMENT 3 TO THE LIZ CLAIBORNE, INC. 2002 STOCK INCENTIVE PLAN

Pursuant to Section 3.1(a) of the Liz Claiborne, Inc. 2002 Stock Incentive Plan (the "Plan"), the Plan is hereby amended effective as of the date set forth below in the following respects:

1. Section 3.15(b) of the Plan is hereby amended and restated to read in its entirety as follows: "Termination of Plan. Unless sooner terminated by the Board or pursuant to paragraph (a) above, the provisions of the Plan will terminate on March 14, 2012. All awards made under the Plan prior to its termination shall remain in effect until such awards have been satisfied or terminated in accordance with the terms and provisions of the Plan and the applicable Grant certificates."

IN WITNESS WHEREOF, Liz Claiborne, Inc. has caused this instrument to be executed by its duly authorized officer as of the 4th day of March 2004.

LIZ CLAIBORNE, INC.

By: /s/ Nicholas Rubino
_____

Name: Nicholas Rubino
_____

Title: Vice President − Deputy General Counsel and Secretary

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FORM OF RESTRICTED GROWTH SHARE AGREEMENT

RESTRICTED GROWTH SHARE AGREEMENT (the "Agreement"), dated as of _____, 2004 between LIZ CLAIBORNE, INC., a Delaware corporation (the "Company"), and _____ (the "Grantee").

The Compensation Committee of the Board of Directors of the Company (the "Committee") has determined that the objectives of the Company's ____ Stock Incentive Plan (the "Plan") will be furthered by the grant to the Grantee of _____ issued shares of Common Stock of the Company currently held by the Company, subject to the terms, conditions and restrictions set out in this Agreement (the "Restricted G–Shares").

Notwithstanding any provision hereof, this Agreement shall not become effective until the Grantee shall have executed and delivered to the Company this Agreement.

In consideration of the foregoing and of the mutual undertakings set forth in this Agreement, the Company and the Grantee agree as follows:

SECTION 1. Issuance of Restricted G–Shares. As soon as practicable after receipt from the Grantee of this executed Agreement, the Company shall cause to be issued under the Plan in the name of the Grantee, either represented by a stock certificate or book entry registration at the Company's transfer agent or other designated financial institution, that number of shares of Common Stock set forth on the first page of this Agreement as Restricted G–Shares. Such issuance shall be subject to this Agreement and the restrictions set forth in Sections 2.1 and 6 hereof. No shares or certificates with respect thereto shall be delivered to the Grantee until the Restricted G–Shares represented thereby are free of restrictions as set forth in this Agreement. Upon the issuance of shares, the Grantee shall have the rights of a stockholder with respect to the Restricted G–Shares, subject to the terms,

conditions and restrictions set forth in this Agreement.

SECTION 2. Restrictions; Vesting.

2.1 Restricted G–Shares may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of prior to vesting. These restrictions shall apply as well to any shares of Common Stock or other securities of the Company which may be acquired by the Grantee in respect of the Restricted G–Shares as a result of any stock split, stock dividend, combination of shares or other change or any exchange, reclassification or conversion of securities.

2.2. Unless sooner terminated pursuant to the terms hereof, and subject to accelerated termination pursuant to Section 2.3, the restrictions set forth in Section 2.1 shall expire on January 19, 2010, provided that the Grantee is then and has at all times since the date of grant remained an employee of the Company. For purposes of this Agreement, "Vesting Date" means January 19, 2010 and any other date as of which Restricted G–Shares become vested pursuant to Section 2.3 or Section 4. As soon as practicable after a Vesting Date, the Company shall deliver to the Grantee, subject to the provisions of Section 6, a stock certificate representing the Restricted G–Shares which became free of the restrictions set forth in Section 2.1 on the Vesting Date and dividends thereon as described in Section 5. Shares which become vested shall remain subject to Sections 6 and 7.

2.3. (a) The following definitions shall apply in this Agreement:

(1) "Competitor Group" shall mean the apparel and related companies as designated by the Committee; provided, that if any company so designated is merged into or consolidated with, or is acquired by, another entity after the date hereof, such company shall no longer be included in the Competitor Group as of the date of the consummation of such merger,

consolidation or acquisition.

(2) The "Initial Three-Year Performance Vesting Period" shall mean the period commencing January 4, 2004 and ending December 30, 2006; the "Quarterly Performance Vesting Periods" shall mean each of the periods commencing January 4, 2004 and ending as of the last day of each fiscal quarter of the Company following the end of the 2006 fiscal year; the "Performance Period" shall mean each of the Initial Three Year Performance Vesting Period and each Quarterly Performance Vesting Period.

(3) The "Final Value" for any company shall mean the Market Value (as defined below) as of the last day of each Performance Period of the number of shares of such company's capital stock which had a market value of $100 as of the first day of such Performance Period, assuming the reinvestment of any dividends paid with respect to such shares during the Performance Period on a pre-tax basis in additional shares of such company's capital stock and taking into account any stock splits, reclassifications or any similar events; provided, however, that if any company enters into a bankruptcy reorganization or liquidation after the date hereof, such company's Final Value shall be $0.00 for all purposes hereunder. The "Market Value" of a share of a company's capital stock shall be determined for any day as follows: (i) if the shares are then listed or admitted to trading on a national securities exchange, the closing sales price of such shares on such day as reported on the consolidated transaction or other reporting system for securities listed or traded on such exchange, or in case no such reported sales take place on such day, the average of the last reported high bid and low asked prices for the shares on such exchange; and (ii) if sales of the shares are then reported on the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), National Market System, the closing sales price of the shares on such day as reported on the NASDAQ, National Market System, or in case no such reported sales take place on such day, the average of

the last reported high bid and low asked prices for the shares as reported on the NASDAQ, National Market System; or (iii) if the shares are not then listed or admitted to trading on a national securities exchange or if sales of the shares are not then reported on the NASDAQ, National Market System, the average of the last reported high bid and low asked prices for the shares in the over the-counter market, as reported by NASDAQ or the National Quotation Bureau (or, if such prices are not so published by NASDAQ or the National Quotation Bureau, as furnished by any New York Stock Exchange member firm which is a market maker for such stock). In the event the Market Value cannot be determined as aforesaid, the Compensation Committee shall in good faith determine such value on such basis as it considers appropriate.

(b) Vesting of the Restricted G-Shares shall be accelerated in full if the Company's Average Final Value for any Performance Period ranks at or above the 50th percentile of the Average Final Values for all companies then in the Competitor Group. Such vesting shall occur as of the last day of such Performance Period.

(c) For purposes of this Section 2.3, the company representing the 50th percentile of the Average Final Values for all companies in the Competitor Group (the "50th Percentile Company") shall be determined as follows:

(i) list all companies in order of Average Final Values;

(ii) multiply the number of companies in the Competitor Group by 0.50, round any fractional result down to the next whole number, and designate the result as "n";

(iii) the nth company, counting up from the bottom of the list, represents the 50th percentile.

SECTION 3. Termination of Employment.

3.1 Except as provided in Section 3.2, effective upon termination of the Grantee's employment with the Company for any reason, the Company shall cancel the stock certificate or book-entry registration representing any unvested Restricted G-Shares, and the Dividend Escrow Account (as defined in Section 5) shall thereupon be terminated; it being understood and agreed that Grantee shall not be entitled to any payment whatsoever under this Agreement or provisions of the Plan relating to this Agreement in connection with such cancellation and termination.

3.2 (a) For purposes of this Agreement, "Retirement" means Grantee's ceasing to be employed by the Company and any of its affiliates on or after the Grantee's 65th birthday, on or after the date on which Grantee has attained age 60 and completed at least six years of Vesting Service (as defined in and determined under the Liz Claiborne 401(k) Savings and Profit Sharing Plan, as the same has been and may from time to time be amended) or, if approved by the Compensation Committee of the Company's Board of Directors, on or after the date Grantee has completed at least 20 years of Vesting Service.

(b) For purposes of this Agreement, "Disability" shall mean Grantee's total physical or mental inability to perform the usual duties of employment with the Company or any affiliate, which inability continues for at least six months.

(c) In the event that Grantee's employment with the Company terminates during the course of the Initial Three-Year Performance Vesting Period on account of Retirement, Disability or death, Restricted G-Shares that are then unvested shall be subject to vesting, if any, as of the last day of the Initial Three-Year Performance Vesting Period subject to and in accordance with the provisions of Section 2.3(b); provided, however, that the number of Restricted G-Shares that become vested in such circumstances shall be equal to the number that would otherwise vest pursuant to Section 2.3(b) multiplied by a fraction, (x) the numerator of

which is the number of months (including any fractional month) elapsed in the Initial Three−Year Performance Vesting Period prior to the Grantee's employment termination and the (y) denominator of which is 36.

SECTION 4. Change in Control.

4.1 (a) For purposes of this Agreement, a "Change in Control" shall be defined as provided for in the Plan. 4.2 Upon a Change in Control, all Restricted G−Shares granted hereunder shall become fully vested as of the effective date of such Change in Control.

SECTION 5. Dividends. Dividends that become payable on Restricted G−Shares shall be held by the Company in escrow in accordance with the provisions of this Agreement. In this connection, on each Common Stock dividend payment date while any Restricted G−Shares remain outstanding and restricted hereunder (each, a "RS Dividend Date"), the Company shall be deemed to have reinvested any cash dividend otherwise then payable on the Restricted G−Shares in a number of phantom shares of Common Stock (including any fractional share) equal to the quotient of such dividend divided by the Market Value of a share of Common Stock on such RS Dividend Date and to have credited such shares to an unfunded book account in the Grantee's name (the "Dividend Escrow Account"). As of each subsequent RS Dividend Date, the phantom shares then credited to the Dividend Escrow Account shall be deemed to receive a dividend at the then applicable dividend rate, which shall be reinvested in the same manner in such account in the form of additional phantom shares. If any dividend payable on any RS Dividend Date is paid in the form of Common Stock, then any such stock dividend shall be treated as additional Restricted G−Shares under this Agreement, with such additional Restricted G−Shares being subject to the same vesting and other restrictions as the

Restricted G−Shares with respect to which dividends became payable, and with any fractional share being treated as a cash dividend that is subject to the escrow and reinvestment procedures in this Section 5. Any other non−cash dividends credited with respect to Restricted G−Shares shall be subject to the escrow and reinvestment procedures in this Section 5, and shall be valued for purposes of this Section 5 at the fair market value thereof as of the relevant RS Dividend Date, as determined by the Committee in its sole discretion. At any Vesting Date, the Company shall deliver out of escrow to the Grantee that whole number of shares of Common Stock equal to the whole number of phantom shares then credited to the Dividend Escrow Account as the result of the deemed investment and reinvestment in phantom shares of the dividends attributable to the Restricted G−Shares on which restrictions lapse at such Vesting Date. The value of any fractional share shall be paid in cash.

SECTION 6. Transferability; Stock Ownership Requirement.

6.1 Grantee and the Company acknowledge that as a common goal Grantee will accumulate a significant personal holding of unrestricted, unencumbered shares of Common Stock (either directly, or indirectly through the Company's 401(k) Savings and Profit Sharing Plan or Supplemental Executive Retirement Plan or any similar plan hereafter adopted).

6.2 If Grantee is at the time a member of the Company's Executive Council, Grantee shall not (except for the withholding of shares to pay taxes in accordance with Section 7) sell, transfer, give, pledge, deposit, alienate or otherwise encumber or dispose of (as used in this Section 6, collectively "transfer") any shares of Common Stock (or any securities issued as a dividend or distribution on such shares, or in respect of such shares in connection with a recombination or reclassification of the Common Stock) issued to Grantee pursuant hereto if, following such transfer, Grantee would not be the beneficial owner of unrestricted, unencumbered shares of Common Stock with a

value not less than the Grantee's then annual base salary. The Committee may in appropriate circumstances waive the operation of the foregoing sentence; provided that if Grantee is not an executive officer of the Company under the applicable regulations of the Securities and Exchange Commission, such waiver may be granted by the Company's Chief Executive Officer.

SECTION 7. Withholding Taxes. Whenever Restricted G−Shares that have vested in accordance with the terms hereof is to be delivered to the Grantee pursuant to Section 2.2, the Company shall be entitled to require as a condition of such delivery that the Grantee remit to the Company an amount sufficient in the opinion of the Company to satisfy all federal, state and other governmental tax withholding requirements related to the expiration of restrictions on such shares. The Company shall, upon the written request of the Grantee, automatically withhold from delivery shares having a Fair Market Value as of the Vesting Date equal to the amount of tax to be withheld. Fractional share amounts shall be settled in cash.

SECTION 8. Nature of Payments. The grant of the Restricted G−Shares hereunder is in consideration of services to be performed by the Grantee for the Company and constitutes a special incentive payment and the parties agree that it is not to be taken into account in computing the amount of salary or compensation of the Grantee for the purposes of determining (i) any pension, retirement, profit−sharing, bonus, life insurance or other benefits under any pension, retirement, profit−sharing, bonus, life insurance or other benefit plan of the Company, or (ii) any severance or other amounts payable under any other agreement between the Company and the Grantee.

SECTION 9. Plan Provisions to Prevail. This Agreement is subject to all of the terms and provisions of the Plan. Without limiting the generality of the foregoing, by entering into this Agreement the Grantee agrees that no member of the Committee shall be liable for any action or determination

made in good faith with respect to the Plan or any award thereunder or this Agreement. In the event that there is any inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern.

SECTION 10. Miscellaneous.

10.1 Section Headings. The Section headings contained herein are for purposes of convenience only and are not intended to define or limit the contents of the Sections.

10.2 Notices. Any notice given to the Company hereunder shall be in writing and shall be addressed to each of the Company's Senior Vice President, Human Resources and the Company's Chief Financial Officer, at One Claiborne Avenue, North Bergen, NJ 07047, or at such other address as the Company may hereafter designate to the Grantee by notice as provided in this Section 10.2. Any notice given to the Grantee hereunder shall be addressed to the Grantee at the address set forth beneath his or her signature hereto, or at such other address as (s)he may hereafter designate to the Company by notice as provided herein. A notice hereunder shall be deemed to have been duly given when personally delivered or mailed by registered or certified mail to the party entitled to receive it.

10.3 Successors and Assigns. This agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and, to the extent consistent with Section 3.2 of this Agreement, the heirs and personal representatives of the Grantee.

10.4 Governing Law. This Agreement shall be interpreted, construed and administered in accordance with the laws of the State of Delaware as they apply to contracts made, delivered and to be wholly performed in the State of Delaware.

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

LIZ CLAIBORNE, INC.

ATTEST:__________________________ By:_____________________________

Title:____________________________

GRANTEE

Name:____________________________

Date: ______________________________

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Exhibit 10(f)(i)

AMENDMENT
TO THE
LIZ CLAIBORNE, INC. OUTSIDE DIRECTORS' 1991 STOCK OWNERSHIP PLAN

Pursuant to Section 5.5 of the Liz Claiborne, Inc. Outside Directors' 1991 Stock Ownership Plan, As Amended and Restated Effective for Awards Granted On or After March 22, 1996 (the "Plan"), the Plan is hereby amended effective as of December 18, 2003, in the following respects:

1. The words "one−half of one percent (0.50%) of the number shares issues and outstanding from time to time" in the second sentence of Section 1.4(a) are replaced the with "540,000."

2. Section 2.1 (a)(ii) is hereby amended to read in its entirety as follows: "An award shall be made to each Outside Director newly elected to the Board on or after the date on which the stockholders approve this amended and restated Plan, effective as of the date of such election, provided that after December 31, 2003, the number of shares to be granted shall be equal to the pro rata share of the annual award based upon the number of whole and partial fiscal quarters such Outside Director will serve in the year of his or her election."

3. Section 2.1 (a)(iii) is hereby amended to read in its entirety as follows: "An award shall be made to each Outside Director as of January 1, 1992, the first business day of each fiscal year through the end of the 2003 fiscal year and on each January 10 thereafter (each, an "Award Date"); provided however, that (1) prior to December 31, 2003, no award under this subparagraph (iii) shall be made to an Outside Director who, as of Award Date, has been an Outsider Director for less than six months; and (2) commencing January 1, 2004, no award shall be made to an Outside Director elected on or before January 10 of any year who has received a grant under subparagraph (ii) above."

4. A new Section 3.4 is added to read as follows:

> 3.4 No Options shall be granted after December 31, 2003, but any Options outstanding as of such date shall remain in effect in accordance with their terms.

IN WITNESS WHEREOF, Liz Claiborne, Inc. has caused this instrument to be executed by its duly authorized officer as of the 18th day of December 2003.

LIZ CLAIBORNE, INC.

By: /s/ Nicholas Rubino
_____

Name: Nicholas Rubino
_____

Title: Vice President − Deputy General Counsel and Secretary

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Exhibit 10(q)

JP Morgan

364-DAY CREDIT AGREEMENT

dated as of

October 17, 2003

among

LIZ CLAIBORNE, INC.

The Lenders Party Hereto

Fleet National Bank and Citibank, N.A.,
as Syndication Agents

Bank One, NA,
as Documentation Agent

and

JPMORGAN CHASE BANK,
as Administrative Agent

$375,000,000 364-DAY REVOLVING CREDIT FACILITY

J.P. MORGAN SECURITIES, INC.,
as Sole Advisor, Lead Arranger
and Sole Bookrunner

TABLE OF CONTENTS

364-DAY CREDIT AGREEMENT dated as of October 17, 2003, among LIZ CLAIBORNE, INC., the LENDERS party hereto, FLEET NATIONAL BANK and CITIBANK, N.A., as Syndication Agents, BANK ONE, NA, as Documentation Agent and JPMORGAN CHASE BANK, as Administrative Agent.

The parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

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

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

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

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

"Agreement" means this 364-Day Credit Agreement, as amended, supplemented or otherwise modified from time to time in accordance with its terms.

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

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

"Applicable Rate" means, for any day, with respect to any Eurocurrency Revolving Loan or ABR Revolving Loan, as the case may be, or with respect to the facility fees payable hereunder, the applicable rate per annum set forth below under the caption

"Eurocurrency Spread," "ABR Spread" or "Facility Fee Rate," based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt:

Level	Index Debt Rating	Eurocurrency Spread	ABR Spread	Facility Fee Rate	Utilization Fee Rate
I	>= A–/A3	0.35%	0.00%	0.10%	0.125%
II	BBB+/Baa1	0.50%	0.00%	0.125%	0.125%
III	BBB/Baa2	0.60%	0.00%	0.15%	0.125%
IV	BBB–/Baa3	0.80%	0.00%	0.20%	0.25%
V	<= BB+/Ba1	1.075%	0.025%	0.25%	0.25%

For purposes of the foregoing, (i) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Levels, the Applicable Rate shall be based on the higher of the two ratings (i.e., the lower Level number) unless one of the two ratings is two or more Levels lower than the other, in which case the Applicable Rate shall be determined by reference to the Level next below that of the higher of the two Levels; and (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined by reference to the rating most recently in effect prior to such change or cessation. If, on any date, the Loans or the "Dollar Equivalent" of the outstanding principal amount of the "Loans" and "L/C Obligations" under the Three–Year Credit Agreement exceed 50% of the aggregate amount of the Commitments or the "Commitments" under the Three–Year Credit Agreement, as the case may be (or, during the period after the Commitments or such "Commitments", as the case may be, have terminated, 50% of the aggregate amount of the Commitments or such "Commitments", as the case may be, immediately prior to such termination), the Eurocurrency Spread or ABR Spread, as the case may be, for such date shall increase by the amount set forth in the above grid under the caption "Utilization Fee Rate," based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt.

"Approved Fund" means (a) a CLO and (b) with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Assessment Rate" means, for any day, the annual assessment rate in effect on such day that is payable by a member of the Bank Insurance Fund classified as "well-capitalized" and within supervisory subgroup "B" (or a comparable successor risk classification) within the meaning of 12 C.F.R. Part 327 (or any successor provision) to the Federal Deposit Insurance Corporation for insurance by such Corporation of time deposits made in dollars at the offices of such member in the United States; provided that if, as a result of any change in any law, rule or regulation, it is no longer possible to determine the Assessment Rate as aforesaid, then the Assessment Rate shall be such annual rate as shall be reasonably determined by the Administrative Agent to be representative of the cost of such insurance to the Lenders.

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

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

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

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

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

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

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

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

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

"Change in Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) of shares representing more than 33 1/3% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower; or (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated.

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

"CLO" means any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or an Affiliate of such Lender.

"Closing Date" means the date on which the conditions precedent set forth in Section 4.01 shall have been satisfied, which date is October 17, 2003.

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

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.06 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable. The aggregate amount of the Commitments on the Closing Date is $375,000,000.

"Conduit Lender" means any special purpose corporation organized and administered by any Lender for the purpose of making Loans hereunder otherwise required to be made by such Lender and designated by such Lender in a written instrument, subject to the consent of the Borrower (which, in each case, shall not be unreasonably withheld or delayed); provided, that the designation by any Lender of a Conduit Lender shall not relieve the designating Lender of any of its obligations to fund a Loan under this Agreement if, for any reason, its Conduit Lender fails to fund any such Loan, and the designating Lender (and not the Conduit Lender) shall have the sole right and responsibility to deliver all consents and waivers required or requested under this Agreement with respect to its Conduit Lender; and provided further, that no Conduit Lender shall (a) be entitled to receive any greater amount pursuant to Section 2.12, 2.13, 2.14 or 9.03 than the designating Lender would have been entitled to receive

in respect of the extensions of credit made by such Conduit Lender or (b) be deemed to have any Commitment hereunder.

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

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

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

"Consolidated Net Income" means, for any period, the consolidated net income (or loss) of a Borrower and its Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of such Borrower or is merged into or consolidated with such Borrower or any of its Subsidiaries, (b) the income (or deficit) of any Person (other than a Subsidiary of such Borrower) in which such Borrower or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by such Borrower or such Subsidiary in the form of dividends or similar distributions and (c) the undistributed earnings of any Subsidiary of such Borrower to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation (other than under the Agreement) or Requirement of Law applicable to such Subsidiary.

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

Borrower and its Subsidiaries for such period in accordance with GAAP with respect to leases of real and personal property.

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

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

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

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

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

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

"Documentation Agent" means Bank One, NA.

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

"Environmental Laws" means all applicable laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, which relate in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to human health and safety matters.

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

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

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

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

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

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

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.16(b)), any United States withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement or at the time such Lender changes its applicable lending office or is attributable to such Foreign Lender's failure or inability to comply with Section 2.14(e), except to the extent that such Foreign Lender's assignor (if any) or such Foreign Lender, in the case of a Lender that changes its applicable lending office, was entitled, at the time of assignment or at the time of the change in applicable lending office, to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.14(a).

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

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

"Financial Officer" means the Senior Vice President − Chief Financial Officer, chief financial officer, principal accounting officer, treasurer or controller of the Borrower.

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

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

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

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

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

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

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

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

"Indemnified Taxes" means Taxes other than Excluded Taxes.

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

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

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

"Interest Period" means with respect to any Eurocurrency Loan, the period commencing on the date of such Loan and ending on the numerically corresponding day in the calendar month that is one, two, three or six months (or to the extent available to all Lenders, nine or twelve months) thereafter, as the Borrower may elect; provided, that (i) if any Interest

Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurocurrency Loan that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made or if initially an ABR Loan, on the date initially converted and, in the case of a Eurocurrency Loan, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Lender Affiliate" means, (a) with respect to any Lender, (i) an Affiliate of such Lender or (ii) an Approved Fund.

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

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

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

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

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

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

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

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

"Material Indebtedness" means Indebtedness (other than the Loans), or obligations in respect of one or more Hedging Agreements, of any one or more of the Borrower and its Subsidiaries in an aggregate principal amount exceeding $50,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Maturity Date" means October 15, 2004.

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

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

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

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

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

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

Administrative Agent an officers' certificate to the effect set forth in clauses (a), (b), (c) and (d) above, together with all relevant financial information for the Person or assets to be acquired and reasonably detailed calculations demonstrating satisfaction of the requirement set forth in clause (d) above.

"Permitted Encumbrances" means:

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

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

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

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

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

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

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

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

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

"Prime Rate" means the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York

City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Register" has the meaning set forth in Section 9.04(c).

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

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

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

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

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

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

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

"Revolving Loan" means a Loan made pursuant to Section 2.01.

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

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject (a) with respect to the Base CD Rate, for new negotiable

nonpersonal time deposits in dollars of over $100,000 with maturities approximately equal to three months and (b) with respect to the LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subordinated Indebtedness" means any Indebtedness of the Borrower, provided that with respect to any such Indebtedness (i) no part of the principal of such Indebtedness is stated to be payable or is required to be paid (whether by way of mandatory sinking fund, mandatory redemption, mandatory prepayment or otherwise) prior to the Maturity Date or, if such Maturity Date is extended pursuant to Section 2.07, the Extended Maturity Date and the payment of principal of which and (subject to clause (ii) below) any other obligations of the Borrower in respect thereof are subordinated to the prior payment in full of principal of and interest (including post−petition interest) on the Loans and all other obligations and liabilities of the Borrower to the Administrative Agent and the Lenders hereunder on terms and conditions first approved in writing by the Required Lenders, (ii) no part of the interest accruing on such Indebtedness (other than interest payable solely in kind which shall be similarly subordinated) is payable, without the prior written consent of the Required Lenders, after a Default or Event of Default has occurred and is continuing, and (iii) such Indebtedness otherwise contains terms, covenants and conditions in form and substance reasonably satisfactory to the Required Lenders, as evidenced by their prior written approval thereof.

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

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

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

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

"Syndication Agents" means Fleet National Bank and Citibank, N.A.

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

"Term-Out Applicable Rate" means the Applicable Rate plus 0.25%.

"Term-Out Period" means the period from but excluding the Maturity Date to and including the Extended Maturity Date.

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

"Three-Year Credit Agreement" means the Three-Year Credit Agreement dated as of October 21, 2002, (as amended, supplemented or otherwise modified from time to time in accordance with its terms) among the Borrower, the financial institutions party thereto, Fleet National Bank and Citibank, N.A., as syndication agents, Bank One, NA, as documentation agent and the Administrative Agent, providing for a three-year credit facility in an initial aggregate amount of $375,000,000.

"Trademarks" has the meaning set forth in Section 5.06.

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

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

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

SECTION 1.02. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such

agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.03. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make revolving credit loans in dollars ("Revolving Loans") to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (i) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (ii) the sum of the Revolving Credit Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.11, each Borrowing shall be comprised entirely of ABR Loans or Eurocurrency Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurocurrency Loan by causing any domestic or foreign branch or Lender Affiliate of such Lender to make such Loan; provided that any exercise of such

option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurocurrency Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $5,000,000. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $500,000 and not less than $1,000,000; provided that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the Commitments. Borrowings of more than one Type may be outstanding at the same time; provided that there shall not at any time be more than a total of 20 Eurocurrency Borrowings outstanding.

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

SECTION 2.03. Requests for Borrowings. To request a Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurocurrency Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing and (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

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

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing;

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

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

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurocurrency Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this

Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in New York City and designated by the Borrower in the applicable Borrowing Request.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand, without duplication such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the Federal Funds Effective Rate or (ii) in the case of the Borrower, the interest rate otherwise applicable to such Borrowing. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.05. Interest Elections. (a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurocurrency Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurocurrency Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

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

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

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

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

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing; and

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

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

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

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

SECTION 2.06. Termination and Reduction of Commitments. Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(a) The Borrower may at any time terminate, or from time to time reduce, the Commitments without penalty; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of $1,000,000 and not less than $10,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.08, the sum of the Revolving Credit Exposures would exceed the total Commitments.

(b) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (a) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to

this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.07. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date. Notwithstanding the foregoing, the Borrower may request, in a notice provided to the Administrative Agent not less than 30 nor more than 60 days prior to the Maturity Date, that the Revolving Loans comprising any Borrowing outstanding on the Maturity Date mature on the date one year after the Maturity Date (such later date, the "Extended Maturity Date"), and the unpaid principal amount of such Revolving Loans shall then be due and payable on such date. The Administrative Agent shall promptly notify each relevant Lender of such request.

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

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

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

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

SECTION 2.08. Optional Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part without

penalty, except as provided in Section 2.13, subject to prior notice in accordance with paragraph (b) of this Section.

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

SECTION 2.09. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

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

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

SECTION 2.10. Interest. (a) The Loans comprising each ABR Borrowing shall bear interest at a rate per annum equal to the Alternate Base Rate plus (i) the Applicable Rate, during the period from but excluding the Effective Date to and including the Maturity Date or (ii) the Term-Out Applicable Rate, during the Term-Out Period, if it occurs.

(b) The Loans comprising each Eurocurrency Borrowing shall bear interest at a rate per annum equal to the LIBO Rate for the Interest Period in effect for such Borrowing plus (i) the Applicable Rate, during the period from but excluding the Effective Date to and including the Maturity Date or (ii) the Term-Out Applicable Rate, during the Term-Out Period, if it occurs.

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

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

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

SECTION 2.11. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurocurrency Borrowing:

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

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

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer

exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurocurrency Borrowing shall be ineffective, and (ii) if any Borrowing Request requests a Eurocurrency Borrowing, such Borrowing shall be made as an ABR Borrowing; provided that if the circumstances giving rise to such notice affect only one Type of Borrowing, then the other Types of Borrowing shall be permitted.

SECTION 2.12. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (including the type referred to in clause (b) of the definition of "Statutory Reserve Rate" in Section 1.01); or

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

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

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

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

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

three-month period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.13. Break Funding Payments. The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense that such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurocurrency Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment of or conversion from Eurocurrency Loans after the Borrower has given a notice thereof in accordance with the provisions of this Agreement, (c) the making of a prepayment of Eurocurrency Loans on a day that is not the last day of an Interest Period with respect thereto, (d) the assignment of any Eurocurrency Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.16. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued or assigned for the period from the date of such prepayment or of such failure to borrow, convert or continue or assign to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, or assign the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Rate included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurocurrency market. A certificate as to any amounts payable pursuant to this Section submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

SECTION 2.14. Taxes. (a) Any and all payments by or an account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

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

(c) The Borrower shall indemnify the Administrative Agent and each Lender within 30 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally

imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

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

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

(f) If any Lender or the Administrative Agent receives a refund attributable to any Indemnified Taxes or Other Taxes paid by the Borrower or for which the Lender or the Administrative Agent has received payment from the Borrower hereunder, such Lender or the Administrative Agent, within 30 days of such receipt, shall deliver to the Borrower the amount of such refund (but only to the extent of Indemnified Taxes or Other Taxes giving rise to such refund paid by the Borrower or for which the Lender or the Administrative Agent has received payment from the Borrower hereunder), net of all out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided however, that the Borrower agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to such Lender or the Administrative Agent in the event that such Lender or the Administrative Agent is required to repay such refund to such Governmental Authority.

SECTION 2.15. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) Except as otherwise expressly provided herein, the Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or under Section 2.12, 2.13 or 2.14, or otherwise) prior to 3:00 p.m. New York City time, on the date when due in dollars, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except that payments pursuant to Sections 2.12, 2.13, 2.14 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension.

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

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

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

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

SECTION 2.16. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.12, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender

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

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

SECTION 2.17. Source of Funds. None of the funds to be lent pursuant to this Agreement are assets of an employee benefit plan or constitute "plan assets" within the meaning of Department of Labor Regulation Section 2510.3−101.

ARTICLE III

Representations and Warranties

The Borrower represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers. Each of the Borrower and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 3.02. Authorization; Enforceability. The Transactions are within the Borrower's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. This Agreement has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by the Borrower or any of its Subsidiaries in a manner which could reasonably be expected to have a Material Adverse Effect, and (d) will not result in the creation or imposition of any material Lien on any asset of the Borrower or any of its Subsidiaries.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders equity and cash flows (i) as of and for the fiscal year ended December 28, 2002, reported on by Deloitte & Touche, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended July 5, 2003, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above. The Borrower and its Subsidiaries do not have any material Guarantees, contingent liabilities and liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, including any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not reflected in the financial statements referred to in this paragraph or in the notes thereto (and, in the case of such lease or commitment, which is required in accordance with GAAP to be reflected in such statements or notes) or which has not otherwise been disclosed to the Lenders in writing.

(b) Since July 5, 2003, there has been no development, event or circumstance that has had or could reasonably be expected to have a Material Adverse Effect.

SECTION 3.05. Properties; Liens. (a) Each of the Borrower and its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes, and none of such property is subject to any Lien, except as permitted by Section 6.03.

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

SECTION 3.06. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement, any other Loan Document or the Transactions.

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

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

SECTION 3.07. Compliance with Laws and Agreements. Each of the Borrower and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.08. No Default. Neither the Borrower nor any of its Subsidiaries is in default under or with respect to any Contractual Obligation or any order, award or decree of any Governmental Authority or arbitrator binding upon it or its properties in any respect which could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

SECTION 3.09. Investment and Holding Company Status. Neither the Borrower nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.10. No Burdensome Restrictions. Neither the Borrower nor any Subsidiary is a party to any indenture, agreement, lease or other instrument which is so unusual or burdensome such that it could be reasonably expected to have a Material Adverse Effect.

SECTION 3.11. Taxes. Each of the Borrower and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and have paid or

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

SECTION 3.12. Federal Regulations. No part of the proceeds of any Loans hereunder will be used, directly or indirectly, for "buying" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board as now and from time to time hereafter in effect or for any purpose which violates, or which would be inconsistent with, the provisions of the Regulations of such Board. If requested by the Agent or any Lender, the Borrower will furnish to the Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1, as applicable, referred to in said Regulation U.

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

SECTION 3.14. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan, except to the extent any such excess (individually or in the aggregate) could not reasonably be expected to have a Material Adverse Effect, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of all such underfunded Plans except to the extent any such excess (individually or in the aggregate) could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.15. Disclosure. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contain any material misstatement of fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

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

(b) The Administrative Agent shall have received favorable written opinions (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of (i) Kramer Levin Naftalis & Frankel LLP, counsel for the Borrower, substantially in the form of Exhibit B–1, and (ii) Nicholas J. Rubino, Deputy General Counsel of the Borrower, substantially in the form of Exhibit B–2, and each opinion covering such other matters relating to the Borrower, this Agreement or the Transactions as the Required Lenders shall reasonably request. The Borrower hereby requests such counsel to deliver such opinion.

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

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

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

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

Section 4.02 (with such paragraph (a) being deemed for this purpose not to include the parenthetical clause included therein).

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

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 3:00 p.m., New York City time, on October 17, 2003 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

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

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

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

ARTICLE V

Affirmative Covenants

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

SECTION 5.01. Financial Statements. The Borrower will furnish to the Administrative Agent and each Lender:

(a) as soon as available, but in any event within 2 Business Days after the end of 90 days following the end of each fiscal year of the Borrower, a copy of the audited consolidated balance sheet of the Borrower and its consolidated subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going

concern" or like qualification or exception, or qualification arising out of the scope of the audit, by Deloitte & Touche LLP or other independent certified public accountants of nationally recognized standing; and

(b) as soon as available, but in any event within 2 Business Days after the end of 45 days following the end of each of the first three quarterly periods of each fiscal year of the Borrower, the unaudited consolidated balance sheet of the Borrower and its consolidated subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, signed by a Responsible Officer (subject to normal year−end audit adjustments).

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

SECTION 5.02. Certificates; Other Information. The Borrower will furnish to the Administrative Agent and each Lender (or, in the case of clause (d), to the relevant Lender):

(a) concurrently with the delivery of the financial statements referred to in Section 5.01(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained that caused it to believe that the Borrower failed to comply with the terms of Sections 6.01(a) and (b) and clauses (a) and (b) of Article VII, except as specified in such certificate; the Lenders who are also parties to the Three−Year Credit Agreement agree that compliance with the terms of this Section 5.02(a) shall also constitute compliance with Section 6.02(a) of the Three−Year Credit Agreement;

(b) concurrently with the delivery of any financial statements pursuant to Section 5.01, (i) a certificate of a Responsible Officer stating that, to the best of each such Responsible Officer's knowledge, each Loan Party during such period has observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) in the case of quarterly or annual financial statements, a Certificate containing all information and calculations necessary for determining compliance by the Borrower and its Subsidiaries with the provisions of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of the Borrower, as the case may be;

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

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

SECTION 5.03. Notices of Material Events. The Borrower will promptly (and in any event within five days after the Borrower knows of the following events) furnish to the Administrative Agent and each Lender written notice of the following:

(a) the occurrence of any Default;

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

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

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

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

SECTION 5.04. Existence; Conduct of Business. The Borrower will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of Permitted Lines of Business; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.04.

SECTION 5.05. Payment of Obligations. The Borrower will, and will cause each of its Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.06. Maintenance of Properties and Trademarks; Insurance. The Borrower will, and will cause each of its Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, provided that the Borrower shall, in good faith, determine when to repair any property, (b) take all action reasonably necessary or desirable in accordance with good business practices to (i) maintain in full force and effect such domestic and foreign patents, trademarks, service marks, trade names, copyrights and licenses and such material rights with respect to the foregoing, now or hereafter acquired, in each case necessary for the conduct of its business

(collectively, the "Trademarks") and (ii) protect all domestic and foreign Trademarks against infringement by third parties and (c) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as a prudent Person engaged in the same or similar business of a similar size and otherwise similarly situated would maintain.

SECTION 5.07. Books and Records; Inspection Rights. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries in conformity with GAAP are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each of its Subsidiaries to, permit on an annual basis (or at any time and from time to time after the occurrence and during the continuance of a Default or Event of Default) any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 5.08. Environmental Laws. The Borrower will, and will use reasonable best efforts to cause each of its Subsidiaries to:

(a) Comply in all material respects with, and use reasonable best efforts to ensure compliance in all material respects by their tenants and subtenants, if any, with, all applicable Environmental Laws, except for such matters of noncompliance which could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(b) Except to the extent being contested in good faith, conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws or by Governmental Authorities.

SECTION 5.09. Compliance. The Borrower will, and will cause each of its Subsidiaries to, comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 5.10. Additional Subsidiaries. The Borrower will, with respect to any Person that, subsequent to the Effective Date, becomes a Subsidiary organized in a jurisdiction within the United States, promptly cause such new Subsidiary to become a party to the Subsidiary Guarantee pursuant to documentation which is in form and substance satisfactory to the Administrative Agent; provided that the Administrative Agent and the Borrower may agree in writing that any non−material or less than wholly−owned Subsidiary need not become a Subsidiary Guarantor.

SECTION 5.11. Use of Proceeds. The proceeds of the Loans will be used only to refinance existing debt, provide working capital and for other general corporate purposes of the Borrower, including, without limitation, capital expenditures, stock repurchases, Permitted Acquisitions and support of its commercial paper facility. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations U and X.

ARTICLE VI

Negative Covenants

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

SECTION 6.01. Financial Covenants.

(a) Leverage Ratio. The Borrower will not permit the Leverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Borrower to exceed 2.75 to 1.00.

(b) Fixed Charge Coverage Ratio. The Borrower will not permit the Fixed Charge Coverage Ratio for any period of four consecutive fiscal quarters of the Borrower to be less than 2.50 to 1.00.

SECTION 6.02. Indebtedness. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness created hereunder;

(b) Indebtedness existing on the date hereof and set forth in Schedule 6.02;

(c) Indebtedness of the Borrower to any Subsidiary and of any Subsidiary to the Borrower or any other Subsidiary;

(d) Guarantees by the Borrower of Indebtedness of any Subsidiary and by any Subsidiary of Indebtedness of the Borrower or any other Subsidiary;

(e) Indebtedness of the Borrower or any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Lease Obligations and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, provided that (i) such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Indebtedness permitted by this clause (e) shall not exceed $150,000,000 at any time outstanding;

(f) Indebtedness of any Person that becomes a Subsidiary after the date hereof; provided that (i) such Indebtedness exists or is committed at the time such Person becomes a Subsidiary and is not created in contemplation of or in connection with such Person becoming a Subsidiary and (ii) the Borrower and its Subsidiaries are in compliance, on a pro forma basis after giving effect to such acquisition, with the covenants contained in Section 6.01 recomputed as at the last day of the most recently ended fiscal quarter of the Borrower for which financial statements are available, as if

such acquisition had occurred on the first day of each relevant period for testing such compliance;

(g) Indebtedness of the Borrower or any Subsidiary incurred (a) as an account party in respect of trade letters of credit issued in the ordinary course of business and (b) in connection with standby letters of credit in an aggregate principal amount not exceeding $40,000,000 at any time outstanding;

(h) Indebtedness of the Borrower or any Subsidiary in respect of commercial paper; provided that the aggregate amount of such Indebtedness, when added to the aggregate amount of outstanding Loans and "Loans" and "L/C Obligations" under the Three-Year Credit Agreement, shall not exceed the aggregate amount of the Commitments and the "Commitments" under the Three-Year Credit Agreement;

(i) Subordinated Indebtedness;

(j) any refinancings, refundings, renewals or extensions of Indebtedness permitted hereunder that do not increase the outstanding principal amount of such Indebtedness;

(k) additional Indebtedness not otherwise permitted hereunder secured by Liens and not exceeding $100,000,000 in aggregate principal amount at any time outstanding;

(l) Indebtedness not otherwise permitted hereunder, not secured by any Lien and incurred after the date hereof; provided that the Borrower and its Subsidiaries are in compliance, on a pro forma basis after giving effect to such Indebtedness, with the covenants contained in Section 6.01 recomputed as at the last day of the most recently ended fiscal quarter of the Borrower for which financial statements are available, as if such Indebtedness had been incurred on the first day of each relevant period for testing such compliance; and

(m) Indebtedness created under the Three-Year Credit Agreement.

SECTION 6.03. Liens. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) any Lien on any property or asset of the Borrower or any Subsidiary existing on the date hereof and set forth in Schedule 6.03; provided that (i) such Lien shall not apply to any other property or asset of the Borrower or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) Liens arising by the terms of letters of credit entered into in the ordinary course of business to secure reimbursement obligations and other obligations in connection therewith;

(d) Liens solely constituting the right of any other Person to a share of any licensing royalties (pursuant to a licensing agreement or other related agreement entered into by the Borrower or any of its Subsidiaries with such Person in the ordinary course of the Borrower's or such Subsidiary's business) otherwise payable to the Borrower or any of its Subsidiaries, provided that such right shall have been conveyed to such Person for consideration received by the Borrower or such Subsidiary on an arm's-length basis;

(e) Liens arising by reason of any judgment, decree or order of any court or other Governmental Authority for the payment of money in aggregate amount not to exceed $25,000,000 at any time outstanding;

(f) Liens arising in connection with factoring accounts receivable related to any acquired Subsidiary; provided that such factoring shall not continue for a period longer than one year from the date such Subsidiary is acquired;

(g) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Borrower or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(h) Liens on fixed or capital assets acquired, constructed or improved by the Borrower or any Subsidiary; provided that (i) such security interests secure Indebtedness permitted by clause (e) of Section 6.02, (ii) such security interests and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed 100% of the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such security interests shall not apply to any other property or assets of the Borrower or any Subsidiary; and

(i) Liens securing Indebtedness permitted under Sections 6.02(j) and 6.02(k); provided that with respect to Indebtedness incurred pursuant to Section 6.02(j) no such Lien is spread to cover additional property.

SECTION 6.04. Fundamental Changes. Except in connection with transactions otherwise permitted pursuant to Section 6.05 or 6.06, the Borrower will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one

transaction or in a series of transactions) all or substantially all of its assets, or all or substantially all of the stock of any of its Subsidiaries (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto, no Default shall have occurred and be continuing (i) any Person may merge into the Borrower in a transaction in which the Borrower is the surviving corporation, (ii) any Person may merge into any Subsidiary in a transaction in which the surviving entity is a Subsidiary and, if required to be so under Section 5.10, a Subsidiary Guarantor, (iii) any Subsidiary may sell, transfer, lease or otherwise dispose of its assets to the Borrower or to another Subsidiary which is a Subsidiary Guarantor and (iv) any Subsidiary may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders; provided that any such merger involving a Person that is not a wholly owned Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Section 6.05.

SECTION 6.05. Investments, Loans, Advances, Guarantees and Acquisitions; Hedging Agreements. (a) The Borrower will not, and will not permit any of its Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Subsidiary prior to such merger) any capital stock, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except:

(i) existing investments not otherwise permitted under this Agreement and described in Schedule 6.05(i) hereto;

(ii) investments made in accordance with the investment policy of the Borrower as set forth on Schedule 6.05(ii) hereto; as provided that any material amendment or other material modification to such policy is subject to the approval of the Administrative Agent in its reasonable discretion;

(iii) investments by the Borrower in the capital stock of its Subsidiaries;

(iv) Permitted Acquisitions;

(v) investments received in connection with the bona fide settlement of any defaulted Indebtedness or other liability owed to the Borrower or any Subsidiary;

(vi) advances or loans made in the ordinary course of business to employees of the Borrower or any of its Subsidiaries in an aggregate amount not to exceed $10,000,000 at any time outstanding;

(vii) loans or advances to third party contractors, suppliers or customers in the ordinary course of business and consistent with past practice;

(viii) loans or advances made by the Borrower to any Subsidiary and made by any Subsidiary to the Borrower or any other Subsidiary;

(ix) guarantees by the Borrower or any Subsidiary of obligations of the Borrower or any other Subsidiary which do not constitute Indebtedness;

(x) Guarantees constituting Indebtedness permitted by Section 6.02; and

(xi) any other investments in, advances or loans to or Guarantees of, any Person in an aggregate amount not to exceed $225,000,000 at any time outstanding;

(b) The Borrower will not, and will not permit any of its Subsidiaries to, enter into any Hedging Agreement, other than Hedging Agreements entered into in the ordinary course of business (including, without limitation, Hedging Agreements in connection with the Borrower's stock repurchase program) to hedge or mitigate risks to which the Borrower or any Subsidiary is exposed in the conduct of its business or the management of its liabilities.

SECTION 6.06. Limitation on Sale of Assets. Except in the ordinary course of business, the Borrower will not, and will not permit any of its Subsidiaries to, sell, convey, lease, transfer or otherwise dispose of (other than as otherwise permitted by Section 6.04 or 6.05) all or any substantial part of its assets; provided that the foregoing shall not prohibit any such sale, conveyance, lease, transfer or disposition (i) which (x) is for a price not materially less than the fair market value of such assets of the Borrower or such Subsidiary, (y) would not materially impair the ability of the Borrower to perform its obligations under this Agreement and (z) together with all other such sales, conveyances, leases, transfers and dispositions, would have no Material Adverse Effect, (ii) of assets that individually or in the aggregate constitute less than 15% of the total assets of the Borrower and its Subsidiaries taken as a whole or (iii) of assets in connection with factoring arrangements with respect to any acquired Subsidiary, provided that such factoring arrangements do not continue longer than a year after such Subsidiary is acquired by the Borrower.

SECTION 6.07. Restricted Payments. The Borrower will not, and will not permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except (a) the Borrower may declare and pay dividends with respect to its capital stock payable solely in additional shares of its common stock, (b) so long as no Default or Event of Default has occurred and is continuing, the Borrower may declare and pay dividends with respect to its capital stock, (c) any Subsidiary may declare and pay dividends to the Borrower or, in the case of any Subsidiary that is wholly owned by another Subsidiary, to such other Subsidiary, (d) the Borrower may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Borrower and its Subsidiaries, (e) so long as no Default or Event of Default has occurred and is continuing, the Borrower may repurchase its capital stock pursuant to its stock repurchase program and (f) so long as no Default or Event of Default has occurred and is continuing, the Borrower may make Restricted Payments in connection with the repurchase of the Capital Stock of Lucky Brands, Inc. and Segrets, Inc.

SECTION 6.08. Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at

prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Borrower and its Subsidiaries not involving any other Affiliate and (c) any Restricted Payment permitted by Section 6.07.

SECTION 6.09. Changes in Fiscal Periods. The Borrower will not, and will not permit any of its Subsidiaries to, permit the fiscal year of such Borrower to end on a day other than the last Saturday closest to December 31 or change such Borrower's method of determining fiscal quarters.

SECTION 6.10. Lines of Business. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any business, either directly or through any Subsidiary, except for Permitted Lines of Business.

ARTICLE VII

Events of Default

If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary in or in connection with this Agreement or any amendment or modification hereof, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof, shall prove to have been materially incorrect when made or deemed made;

(d) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.04 (with respect to the Borrower's existence) or 5.11 or in Article VI;

(e) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent (given at the request of any Lender) to the Borrower;

(f) the Borrower or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable (after giving effect to any applicable period of grace);

(g) any default or any event of default with respect to any Material Indebtedness which results in such Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) the Borrower or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) the Borrower or any Subsidiary shall become unable, admit in writing or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of $25,000,000 shall be rendered against the Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect; or

(m) a Change in Control shall occur;

then, and in every such event (other than an event with respect to the Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent with the consent of the Required Lenders may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VIII

The Administrative Agent

Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders, and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative

Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub−agents appointed by the Administrative Agent. The Administrative Agent and any such sub−agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub−agent and to the Related Parties of the Administrative Agent and any such sub−agent, and shall apply to their respective activities in connection with the syndication of the credit facility provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

The Syndication Agents and the Documentation Agent shall not have any duties or responsibilities hereunder in their capacity as such.

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, as follows:

(a) if to the Borrower, to it at Liz Claiborne, Inc., One Claiborne Avenue, North Bergen, New Jersey 07047, Attention of Robert Vill (Facsimile No. 201−295−7825);

(b) if to the Administrative Agent:

JPMorgan Chase Bank, Loan and Agency Services Group
1111 Fannin, 10th Floor, Houston, Texas 77002
Attention of Sharon Craft (Facsimile No. (713) 750−2938),

with a copy to:

JPMorgan Chase Bank, 1411 Broadway
New York, New York 10018,
Attention of Liz Claiborne Relationship Manager
(Facsimile No. (212) 391−7118)

(c) if to any other Lender, to it at its address (or number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative

Agent; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.15(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender adversely affected thereby, (v) except in connection with transactions otherwise permitted pursuant to Section 6.04, 6.05 or 6.06, release all or substantially all of the Subsidiary Guarantors from their obligations under the Subsidiary Guarantee, without the written consent of each Lender, or (vi) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out−of−pocket expenses incurred by the Administrative Agent and Chase Securities Inc., including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facility provided for herein, the preparation and administration of this Agreement or any amendments, modifications

or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out-of-pocket expenses incurred by any Administrative Agent or any Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made hereunder, including in connection with any workout, restructuring or negotiations in respect thereof.

(b) The Borrower shall indemnify the Administrative Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions or any Loan or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly no later than seven (7) days after written demand therefor.

SECTION 9.04. 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 assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any

attempted assignment or transfer by the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower, provided that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender other than a Conduit Lender, an Approved Fund or, if an Event of Default under clause (a), (b), (h) or (i) of Article VII has occurred and is continuing, any other Person; and

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment to an assignee that is a Lender immediately prior to giving effect to such assignment, except in the case of an assignment of a Commitment to an assignee that does not already have a Commitment, or for an assignment to an Affiliate of a Lender.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans, the amount of the Commitments or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $10,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, provided that (1) no such consent of the Borrower shall be required if an Event of Default under clause (a), (b), (h) or (i) of Article VII has occurred and is continuing and (2) such amounts shall be aggregated in respect of each Lender and its affiliates or Approved Funds, if any;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and

(E) in the case of an assignment to a CLO, the assigning Lender shall retain the sole right to approve any amendment, modification or waiver of any provision of this Agreement and the other Loan Documents, provided that the Assignment and Acceptance between such Lender and such CLO may provide that such Lender will not, without the consent of such CLO, agree to any amendment, modification or waiver that (1) requires the consent of each Lender directly affected thereby pursuant to the first proviso to Section 9.02(b) and (2) directly affects such CLO.

(iii) Upon acceptance and recording pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled, (with respect to the period prior to such assignment) to the benefits of Sections 2.12, 2.13, 2.14 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section. Notwithstanding the foregoing, any Conduit Lender may assign at any time to its designating Lender hereunder with the consent of the Borrower, any or all Loans it may have funded hereunder and pursuant to its designation agreement.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant")

in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (iv) all Participants shall represent, for the benefit of Borrower, that none of the participation interests are being acquired with assets of an employee benefit plan or with assets that constitute "plan assets" under Department of Labor Regulation Section 2510.3-101 . Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.12, 2.13 and 2.14 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(ii) A Participant shall not be entitled to receive any greater payment under Sections 2.12, 2.13 or 2.14 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.14 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.14(e) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any such pledge or assignment to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

(e) Each of the Borrower, the Subsidiary Guarantors and each Lender hereby confirms that it will not institute against a Conduit Lender or join any other Person in instituting against a Conduit Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any state bankruptcy or similar law, for one year and one day after the payment in full of the latest maturing commercial paper note issued by such Conduit Lender; provided, however, that each Lender designating any Conduit Lender hereby agrees to indemnify, save and hold harmless each other party hereto for any loss, cost, damage or expense arising out of its inability to institute such a proceeding against such Conduit Lender during such period of forbearance.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by

the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.12, 2.13, 2.14 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured provided that such Lender shall promptly notify the Borrower of such setoff. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent and the Lenders expressly agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being

understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent required by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information, provided, however, in no event less than reasonable care. Notwithstanding anything herein to the contrary, any party to this Agreement (and any employee, representative, or other agent of any party to this Agreement) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure. However, any such information relating to the tax treatment or tax structure is required to be kept confidential to the extent necessary to comply with any applicable federal or state securities laws.

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

LIZ CLAIBORNE, INC.

by /s/ Robert J. Vill
_____
Name: Robert J. Vill
Title: Vice President of Treasury
Investor Relations and Treasurer

JPMORGAN CHASE BANK, as Administrative Agent and a Lender

by /s/ Meredith L. Vanden Handel
_____
Name: Meredith L. Vanden Handel
Title: Vice President

FLEET NATIONAL BANK, as Syndication Agent and a Lender

by Stephen J. Garvin
_____
Name: Stephen J. Garvin
Title: Managing Director

by
_____
Name:
Title:

by
_____
Name:
Title:

by
_____
Name:
Title:

CITIBANK, N.A., as Syndication Agent and a Lender

by /s/ Marc C. Merlino
_____
Name: Marc C. Merlino
Title: Vice President

by
_____
Name:
Title:

by
_____
Name:
Title:

BANK ONE, NA, as Documentation Agent and a Lender

by /s/ Vincent R. Henchek
_____
Name: Vincent R. Henchek
Title: Director

BANK OF AMERICA, N.A., as a Lender

by /s/ Chitt Swamidasan
_____
Name: Chitt Swamidasan
Title: Principal

HSBC BANK USA, as a Lender

by /s/ Anne Serewicz
_____
Name: Anne Serewicz
Title: Senior Vice President

THE HUNTINGTON NATIONAL BANK, as a Lender

by /s/ Daniel W. Lally
_____
Name: Daniel W. Lally
Title: Vice President

ING BANK, N.V., as a Lender

by /s/ Marianne H. Elfrinde-Ryntjes
_____
Name: Marianne H. Elfrinde-Ryntjes
Title: Senior Relationship Manager

by /s/ Frans Th. A. Moes
_____
Name: Frans Th. A. Moes
Title: Director

by
_____
Name:
Title:

by
_____
Name:
Title:

SUNTRUST BANK, as a Lender

by /s/ Patrick M. Stevens
_____
Name: Patrick M. Stevens
Title: Vice President

WACHOVIA BANK, N.A., as a Lender

by /s/ Thomas M. Harper
_____
Name: Thomas M. Harper
Title: Senior Vice President

THE BANK OF NEW YORK, as a Lender

by /s/ Johna M. Fidanza
_____
Name: Johna M. Fidanza
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION, as a Lender

by /s/ Thomas L. Bayer
_____
Name: Thomas L. Bayer
Title: Vice President

COMERICA BANK, as a Lender

by /s/ Joel S. Gordon
_____
Name: Joel S. Gordon
Title: Assistant Vice President

UNION BANK OF CALIFORNIA, N.A., as a Lender

by /s/ Ching Lim
_____
Name: Ching Lim
Title: Vice President

BANK LEUMI USA, as a Lender

by /s/ John Koenigsberg
_____
Name: John Koenigsberg
Title: First Vice President

by /s/ Phyllis Rosenfeld
_____
Name: Phyllis Rosenfeld
Title: Vice President

ISRAEL DISCOUNT BANK OF NEW YORK, as a Lender

by /s/ Alan B. Lefkowitz
_____
Name: Alan B. Lefkowitz
Title: First Vice President

by /s/ Timothy McCurry
_____
Name: Timothy McCurry
Title: Assistant Vice President

WELLS FARGO BANK NATIONAL ASSOCIATION, as a Lender

by /s/ Kathleen Rosof
_____
Name: Kathleen Rosof
Title: Vice President

FORTIS CAPITAL CORPORATION

by /s/ Kathleen Delathawco
_____
Name: Kathleen Delathawco
Title: Vice President

by /s/ Henk Raison
_____
Name: Henk Raison
Title: Vice President

SCHEDULE 2.01

COMMITMENTS

BANK	COMMITMENT
JPMorgan Chase Bank	$42,500,000
Bank One, NA	35,000,000
Citibank, N.A..	35,000,000
Fleet National Bank	35,000,000
Bank of America, N.A.	27,500,000
HSBC Bank USA	22,500,000
The Huntington National Bank	22,500,000
ING Bank N.V.	22,500,000
SunTrust Bank	22,500,000
Wachovia Bank, N.A.	22,500,000
The Bank of New York	17,500,000
U.S. Bank National Association	15,000,000
Comerica Bank	12,500,000
Union Bank of California, N.A.	12,500,000
Bank Leumi USA	7,500,000
Fortis Capital Corporation	7,500,000
Israel Discount Bank of New York	7,500,000
Wells Fargo Bank N.A.	7,500,000
Total:	$375,000,000

SCHEDULE 3.06

DISCLOSED MATTERS

See Part II, Item 1 – "Legal Proceedings" contained in Borrower's Quarterly Report on Form 10–Q for the period ended July 5, 2003.

SCHEDULE 3.13

SUBSIDIARIES

Name	Jurisdiction of Incorporation
Cleo Acquisition Corp*	Delaware
DB Newco, Corp.*	Delaware
Juicy Couture, Inc.*	California
L.C. Augusta, Inc.*	Delaware
L.C. Caribbean Holdings, Inc.*	Delaware
L.C. Dyeing, Inc.*	Delaware
LC Libra, LLC*	Delaware
L.C. Licensing, Inc.*	Delaware
L.C. Service Company, Inc.*	Delaware
L.C. Special Markets, Inc.*	Delaware
L.C.K.C., LLC*	Delaware
LC/QL Investments, Inc.*	Delaware
LCI Acquisition U.S., Inc.*	Delaware
LCI Holdings, Inc.*	Delaware
LCI Investments, Inc.*	Delaware
LCI Laundry, Inc.*	Delaware
Liz Claiborne Accessories, Inc.*	Delaware
Liz Claiborne Accessories–Sales, Inc.*	Delaware
Liz Claiborne Cosmetics, Inc.*	Delaware
Liz Claiborne Export, Inc.*	Delaware
Liz Claiborne Foreign Holdings, Inc.*	Delaware
Liz Claiborne Japan, Inc.*	Delaware
Liz Claiborne Puerto Rico, Inc.*	Delaware
Liz Claiborne Sales, Inc.*	Delaware
Liz Claiborne Shoes, Inc.*	Delaware
Liz Claiborne–Texas, Inc.*	Delaware
Lucky Brand Dungarees, Inc.	Delaware
Lucky Brand Dungarees Stores, Inc.	Delaware
Monet International, Inc.*	Delaware
Monet Puerto Rico, Inc.*	Delaware
Segrets, Inc.	Delaware

Segrets Stores, Inc. Delaware

* Indicates a Subsidiary Guarantor

SCHEDULE 6.02

EXISTING INDEBTEDNESS

Long Term Loans

5 Year 6.625% Notes 350 Million Euros @1.16	$406,000,000
One Year Revolving Credit Agreement 375/750	$0
Three Year Revolving Credit Agreement 375/750	
75 Million Multi-Currency Tranche - 24,000,000 Euro @1.16	$27,840,000
Commercial Paper Outstanding	$0
Pennsylvania Industrial Development Authority Loan	$ 901,262
Pennsylvania Industrial Development Authority Loan	$ 179,265
	$434,920,527

Mexx Credit Lines		Credit Lines	Outstanding as of 10/3/03	
ING Bank	euro	14,900,000	400,000	$464,000
HSBC UK	euro	15,000,000	10,100,000	$11,716,000
Fortis Bank	euro	13,900,000	0	$0
Citibank	euro	7,500,000	2,000,000	$2,320,000
Artesia Bank	euro	15,000,000	3,400,000	$3,944,000
ABN Amro	euro	200,000	0	0
		66,500,000	15,900,000	$18,444,000

Liz Claiborne Canada

HSBC - Canada		5,000,000	CAD 0	0

L/C Credit Lines			$ Credit Lines	
Wachovia Bank			$100,000,000	$82,275,621
Fleet National Bank			$125,000,000	$85,213,161
Huntington National Bank			$100,000,000	$49,606,339
Bank One			$60,000,000	$31,462,164
HSBC - Mexx Group	HK$	77,500,000	$10,000,000	$7,475,000
Bank of America - Mexx Group	HK$	58,000,000	$7,500,000	$5,290,000
Bank Artesia - Mexx Group	euro	6,000,000	$6,900,000	$6,210,000
			$409,400,000	$267,532,285

L/C Standby Credit Lines

HSBC			$7,680,960
HSBC - U.K.			$1,335,000
Other Mexx Group	euro	5,000,000	$5,800,000
			$14,815,960

Synthetic Lease

Sun Trust Bank - Ohio/RI Distribution Centers	$63,724,222

Conditional Purchase Price Payments

Mexx Group – (Current Estimate)	$150,000,000
Mexx Canada – (Current Estimate)	$29,000,000
Lucky Brands – (Minority Interest–Current Estimate)	$8,285,000
Segrets – (Minority Interest–Current Estimate)	$654,000
	$187,939,000

SCHEDULE 6.03

EXISTING LIENS

None.

SCHEDULE 6.05(i)

EXISTING INVESTMENTS

	10/6/2003 Closing Price		
Liz Claiborne, Inc.			
Vanguard 500 Index Fund Admiral Shares			
64,768.36 shares	$95.56	$ 6,189,264.48	
Kenneth Cole Productions Class A Stock			
1,500,000 shares	$28.34	$42,510,000.00	
			$48,699,264.48
Tax Exempt Municipal Funds			
Federated Fund # 852		$28,900,000.00	
Evergreen Fund # 496		$17,500,000.00	
			$46,400,000.00
Liz Claiborne International Ltd.			
Tax Exempt Municipal Fund			
Federated Fund # 852		$20,150,000.00	
			$20,150,000.00
			$95,099,264.48

SCHEDULE 6.05(ii)

LIZ CLAIBORNE, INC. INVESTMENT POLICY

Revised: September 2003

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OBJECTIVE

1) To establish the policies and guidelines governing the investment of idle or surplus cash generated by the company

2) To define the minimum acceptable credit and maximum market exposure of an investment

3) To identify those individuals authorized to transact business on behalf of, and for the benefit of the company

SCOPE

Unless specifically limited in the text, these policies and guidelines are applicable to Liz Claiborne, Inc. and all of its subsidiaries. All currency representations within this policy are in U.S. Dollars. Appendix B outlines the investment policy for the Mexx subsidiary.

POLICY

To maximize the utilization of idle or surplus cash by investing in accordance with principles of sound investment management and the guidelines set forth in this Investment Policy. The criteria for the selection of cash investments will be as follows:

First:	Preservation of Capital
Second:	Liquidity/Marketability
Third:	Maximization of after−tax yield

INDIVIDUALS AUTHORIZED TO TRADE

1) CFO
2) VP Investor Relations and Treasury, Treasurer
3) VP Cash and Risk Management
4) Portfolio/Risk Manager
5) Cash Manager*

* In the absence of the Cash Manager, the Senior Treasury Analyst may invest daily surplus cash in any of the approved Institutional Money Market Funds.

APPROVED INVESTMENT VEHICLES AND REQUIREMENTS

See Appendix A, "Investment Guidelines"

TIME LIMITATIONS

One year, except for:

a) Up to three years for Government Securities
b) Up to 15 months for Federal Agency Securities
c) Up to four years for Municipal Bonds providing the total average maturity of all tax exempt bonds does not exceed 2 1/2 years.

AUTHORIZED SECURITIES FIRMS

Bank of New York
Comerica Securities
Goldman Sachs
HSBC
JPMorgan Chase
Merrill Lynch*
Salomon Smith Barney*
Wachovia

* Custody accounts

POLICY DEVIATION

Any deviation from these guidelines must be approved, in writing, by two members of the Investment Committee. If a rating is lowered, approval to hold the security must also be obtained, in writing, from two members of the Investment Committee.

APPENDIX A

LIZ CLAIBORNE, INC.
INVESTMENT GUIDELINES
Revised: September 2003

SECURITY	LIMIT PER ISSUE (000's)	MAXIMUM % OF PORTFOLIO	REQUIRED MINIMUM RATINGS SP		MOODY'S	ADDITIONAL REQUIREMENTS
TAXABLE			Credit ratings may rely on credit support			
Bankers Acceptances	10,000	25%	A−1	AND	P−1	− None
Commercial Paper	25,000	75%	A−1	AND	P−1	− Must be Direct Corporate Obligation or Corporate Parent Guaranty
Corporate Bonds and Notes	25,000	75%	AA−	OR	Aa3	− None
Domestic Bank CD's	10,000	25%	A−1	AND	P−1	− None
Eurocurrency Deposits	10,000	100%	A−1	AND	P−1	− None
Federal Agency Securities	None	100%	N/A		N/A	− None
Foreign Bank CD's/Time Deposits	10,000	100%	A−1	AND	P−1	− None
Institutional Money Market Funds	50,000	100%	N/A		N/A	− Fund Investment objectives/parameters must be consistent with this policy − Fund may not deviate from a $1 per share price
Repurchase Agreements	25,000	100%	N/A		N/A	−Must be collateralized by any of the following: 1)Commercial mortgages 2)Direct US government securities 3)Agencies of the US Government 4) AAA rated whole loan collateralized mortgage obligations −Collateralization at no less than 102% −7 day maximum term
US Treasury Obligations	None	100%	N/A		N/A	− None
Taxable Debt (7/28 day Auction Rate Securities)	25,000	50%	AAA	OR	Aaa	− No more than 20% of any one issue
TAX EXEMPT/ADVANTAGED						
Institutional Money Market Funds	50,000	100%	N/A		N/A	− Fund Investment objective/parameters must be consistent with this policy − Fund may not deviate from a $1 per share price
Municipal Bonds/Notes						− Issue must be at least $25 million
− Short term	10,000	100%	SP−1 or A−1	AND	VMIG1, MIG1 or P−1	
− Long term	20,000	100%	AAA	OR	Aaa	
Daily/Weekly Municipal Put Bonds	15,000	50%	SP−1 or A−1	AND	VMIG1, MIG1 or P−1	− Issue must be at least $25 million
Municipal Preferreds (7/28 day Auction Rate Securities)	25,000	100%	AAA	AND	Aaa	− No more than 20% of any one issue
Money Market Preferreds (49 day Auction Rate Securities)	25,000	50%	AA−	OR	Aa3	− No more than 20% of any one issue
Tax Exempt Commercial Paper	15,000	50%	AA−	OR	Aa3	− None
Tax Exempt Debt (35 day Auction Rate Securities)	15,000	50%	AAA	OR	Aaa	− No more than 20% of any one issue

Approved:

Michael Scarpa	Robert Vill
Robert McKean	David Stiffman

APPENDIX B

MEXX INVESTMENT POLICY

Introduction
To manage surplus cash in a sound and efficient way to the benefit of the firm and its shareholder, particular policies and guidelines have been developed.

Responsibility
The CFO of Liz Claiborne, Inc. is charged with the oversight of the Mexx Investment Policy. He decides on the company's strategy and reviews and controls the treasury performance, risk and compliance with the policy. Further the CFO of Liz Claiborne, Inc. has the authority to delegate activities concerning investment transactions to the CFO, Group Treasurer and Assistant Group Treasurer of Mexx.

The GT develops procedures for control of investment activities and is responsible for the implementation of and compliance with the agreed policy and executes investment transactions within his authority.

Treasury Steering Committee
On a regular basis the Treasury Steering Committee ("TSC") meets to discuss investment opportunities and the way to have the company's idle cash managed. Next to the CFO and GT the actual members of this advisory body are the CEO of Mexx Group and the Treasurer of Liz Claiborne Inc.

Policy
This is the ranking of criteria for the selection of cash investments:
1. Preservation of Capital
2. Liquidity and Marketability
3. Maximization of after−tax−yield

Authority
The CFO, GT and Assistant Group Treasurer are authorized to invest surplus cash in accordance with this policy with any of the authorized institutions shown in this document. The CFO and GT may at any time remove an institution from the list of approved counterparts.

Approved Investment Vehicles

Type of Investment	Limit per Issue (euro 000's)	Max % of Portfolio	Required Minimum Rating			Additional Requirements
			S&P		Moody's	
Certificates of Deposit	10.000	75%	A−1	or	P−1	
Commercial Paper	10.000	75%	A−1	or	P−1	Must be direct corporate obligation or corporate parent guarantee must be authorized counterpart
Bank Deposits	10.000	100%	A−1	or	P−1	

Time Limitations
Six months for all approved investment vehicles.

Approved currencies
All euro currencies, US dollar, HK dollar, Pound Sterling, Swedish Kroner, Norwegian Kroner, Danish Kroner

Reporting
The GT periodically − but at least monthly − reports to the CFO of Mexx with a copy to the TSC and to Liz Claiborne Corporate Treasury:

- 12 months rolling cash forecast
- FYE finance costs
- transaction summary report

Authorisation
The following individuals at Mexx, are authorized to give investing instructions to approved institutions:

Title	euro Limit
Assistant Group Treasurer	10,000,000
Group Treasurer	15,000,000
Chief Financial Officer	25,000,000

Authorised Counterparts

The following institutions are authorized to deal with:

Bank	Tel.	Name	e−mail
Fortis Bank	020−5357207	Jako Groeneveld	jako.groeneveld@nl.fortisbank.com
	020−5357184	Bart Solleveld	bart.solleveld@nl.fortisbank.com
Citibank	020−6514112	Jan−Olov Nord	
HSBC	+44 (20) 7991 2962	Jemima Evans	jemima.l.evans@hsbcgroup.com
ING Bank	020−5638129	Ron Albregt	Ron.Albregt@mail.ing.nl
Commerzbank	020−5300730	Ed Maaswinkel	Ed.Maaswinkel@commerzbank.com
		Frans Belder	Frans.Belder@commerzbank.com

Policy Deviation
Any deviation from these guidelines must be approved by the CFO of Liz Claiborne, Inc.

Latest revision: September 2003

Approved by:

_____

_____

_____

_____

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