

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2010

OR

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

For the transition period from _____ to _____

Commission file number: 1-9494

TIFFANY & CO.

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

13-3228013

(I.R.S. Employer Identification No.)

727 Fifth Ave. New York, NY

(Address of principal executive offices)

10022

(Zip Code)

Registrant's telephone number, including area code:

(212) 755-8000

Former name, former address and former fiscal year, if changed since last report _____

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: Common Stock, \$.01 par value, 126,266,981 shares outstanding at the close of business on August 31, 2010.

TIFFANY & CO. AND SUBSIDIARIES
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FOR THE QUARTER ENDED JULY 31, 2010

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PART I. Financial Information
Item 1. Financial Statements

TIFFANY & CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands, except per share amounts)

	<u>July 31, 2010</u>	<u>January 31, 2010</u>	<u>July 31, 2009</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 566,725	\$ 785,702	\$ 333,603
Short-term investments	47,949	—	—
Accounts receivable, less allowances of \$12,326, \$12,892 and \$10,323	156,708	158,706	140,025
Inventories, net	1,553,117	1,427,855	1,538,514
Deferred income taxes	16,114	6,651	12,303
Prepaid expenses and other current assets	76,780	66,752	99,473
Total current assets	2,417,393	2,445,666	2,123,918
Property, plant and equipment, net	661,387	685,101	707,176
Deferred income taxes	188,014	183,825	160,492
Other assets, net	179,767	173,768	153,883
	<u>\$ 3,446,561</u>	<u>\$ 3,488,360</u>	<u>\$ 3,145,469</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings	\$ 44,221	\$ 27,642	\$ 40,754
Current portion of long-term debt	269,960	206,815	—
Accounts payable and accrued liabilities	165,757	231,913	155,659
Income taxes payable	16,198	67,513	18,245
Merchandise and other customer credits	60,546	66,390	64,607
Total current liabilities	556,682	600,273	279,265
Long-term debt	467,855	519,592	710,994
Pension/postretirement benefit obligations	189,978	219,276	209,158
Deferred gains on sale-leasebacks	124,932	128,649	129,665
Other long-term liabilities	141,112	137,331	142,945
Commitments and contingencies			
Stockholders' equity:			
Preferred Stock, \$0.01 par value; authorized 2,000 shares, none issued and outstanding	—	—	—
Common Stock, \$0.01 par value; authorized 240,000 shares, issued and outstanding 126,488, 126,326 and 124,093	1,265	1,263	1,240
Additional paid-in capital	813,600	764,132	698,995
Retained earnings	1,182,840	1,151,109	1,010,180
Accumulated other comprehensive loss, net of tax	(31,703)	(33,265)	(36,973)
Total stockholders' equity	1,966,002	1,883,239	1,673,442
	<u>\$ 3,446,561</u>	<u>\$ 3,488,360</u>	<u>\$ 3,145,469</u>

See notes to condensed consolidated financial statements.

TIFFANY & CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(in thousands except per share amounts)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2010	2009	2010	2009
Net sales	\$ 668,760	\$ 612,493	\$ 1,302,346	\$ 1,130,108
Cost of sales	282,008	275,041	549,616	503,437
Gross profit	386,752	337,452	752,730	626,671
Selling, general and administrative expenses	273,146	247,898	533,707	477,603
Earnings from continuing operations	113,606	89,554	219,023	149,068
Interest and other expenses, net	11,121	12,132	23,259	24,572
Earnings from continuing operations before income taxes	102,485	77,422	195,764	124,496
Provision for income taxes	34,810	20,705	63,664	40,336
Net earnings from continuing operations	67,675	56,717	132,100	84,160
Net earnings (loss) from discontinued operations	—	59	—	(3,043)
Net earnings	<u>\$ 67,675</u>	<u>\$ 56,776</u>	<u>\$ 132,100</u>	<u>\$ 81,117</u>
Earnings per share:				
Basic				
Net earnings from continuing operations	\$ 0.53	\$ 0.46	\$ 1.04	\$ 0.68
Net loss from discontinued operations	—	—	—	(0.03)
Net earnings	<u>\$ 0.53</u>	<u>\$ 0.46</u>	<u>\$ 1.04</u>	<u>\$ 0.65</u>
Diluted				
Net earnings from continuing operations	\$ 0.53	\$ 0.46	\$ 1.03	\$ 0.68
Net loss from discontinued operations	—	—	—	(0.03)
Net earnings	<u>\$ 0.53</u>	<u>\$ 0.46</u>	<u>\$ 1.03</u>	<u>\$ 0.65</u>
Weighted-average number of common shares:				
Basic	126,897	124,081	126,798	124,041
Diluted	128,385	124,523	128,464	124,343

See notes to condensed consolidated financial statements.

TIFFANY & CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE EARNINGS

(Unaudited)
(in thousands)

	Total Stockholders' Equity	Retained Earnings	Accumulated Other Comprehensive Gain (Loss)	Common Stock		Additional Paid-In Capital
				Shares	Amount	
Balances, January 31, 2010	\$ 1,883,239	\$ 1,151,109	\$ (33,265)	126,326	\$ 1,263	\$ 764,132
Exercise of stock options and vesting of restricted stock units ("RSUs")	31,192	—	—	1,176	12	31,180
Tax effect of exercise of stock options and vesting of RSUs	4,195	—	—	—	—	4,195
Share-based compensation expense	12,982	—	—	—	—	12,982
Issuance of Common Stock under the Employee Profit Sharing and Retirement Savings Plan	5,000	—	—	104	1	4,999
Purchase and retirement of Common Stock	(47,138)	(43,239)	—	(1,118)	(11)	(3,888)
Cash dividends on Common Stock	(57,130)	(57,130)	—	—	—	—
Deferred hedging gain, net of tax	2,075	—	2,075	—	—	—
Unrealized gain on marketable securities, net of tax	636	—	636	—	—	—
Foreign currency translation adjustments, net of tax	(2,171)	—	(2,171)	—	—	—
Net unrealized gain on benefit plans, net of tax	1,022	—	1,022	—	—	—
Net earnings	132,100	132,100	—	—	—	—
Balances, July 31, 2010	\$ 1,966,002	\$ 1,182,840	\$ (31,703)	126,488	\$ 1,265	\$ 813,600

	Three Months Ended July 31,		Six Months Ended July 31,	
	2010	2009	2010	2009
Comprehensive earnings are as follows:				
Net earnings	\$ 67,675	\$ 56,776	\$ 132,100	\$ 81,117
Other comprehensive gain (loss), net of tax:				
Deferred hedging (loss) gain	(2,733)	1,442	2,075	3,824
Foreign currency translation adjustments	1,089	20,469	(2,171)	27,718
Unrealized (loss) gain on marketable securities	(447)	2,238	636	2,900
Net unrealized gain (loss) on benefit plans	474	(29)	1,022	18
Comprehensive earnings	\$ 66,058	\$ 80,896	\$ 133,662	\$ 115,577

See notes to condensed consolidated financial statements.

TIFFANY & CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Six Months Ended July 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 132,100	\$ 81,117
Loss from discontinued operations, net of tax	—	3,043
Net earnings from continuing operations	132,100	84,160
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:		
Depreciation and amortization	72,292	69,182
Amortization of gain on sale-leaseback	(4,927)	(4,762)
Excess tax benefits from share-based payment arrangements	(3,936)	(4)
Provision for inventories	14,184	16,637
Deferred income taxes	(19,069)	2,134
Provision for pension/postretirement benefits	13,442	11,691
Share-based compensation expense	12,795	12,010
Changes in assets and liabilities:		
Accounts receivable	5,235	26,711
Inventories	(133,495)	50,058
Prepaid expenses and other current assets	(7,596)	13,644
Accounts payable and accrued liabilities	(53,546)	(71,155)
Income taxes payable	(45,058)	(16,004)
Merchandise and other customer credits	(5,821)	(3,404)
Other, net	(36,711)	(11,498)
Net cash (used in) provided by operating activities	(60,111)	179,400
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(50,760)	(30,425)
Purchases of marketable securities and short-term investments	(48,461)	(547)
Other	—	3,485
Net cash used in investing activities	(99,221)	(27,487)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayment of) credit facility borrowings, net	17,775	(113,291)
Repayment of short-term borrowings	—	(93,000)
Repayment of long-term debt	—	(40,000)
Proceeds from issuance of long-term debt	—	300,000
Repurchase of Common Stock	(47,138)	—
Proceeds from exercise of stock options	31,192	738
Excess tax benefits from share-based payment arrangements	3,936	4
Cash dividends on Common Stock	(57,130)	(42,236)
Financing fees	—	(5,721)
Purchase of non-controlling interests	(7,000)	—
Net cash (used in) provided by financing activities	(58,365)	6,494
Effect of exchange rate changes on cash and cash equivalents	(1,280)	18,287
CASH FLOWS FROM DISCONTINUED OPERATIONS:		
Operating activities	—	(3,536)
Net cash used in discontinued operations	—	(3,536)
Net (decrease) increase in cash and cash equivalents	(218,977)	173,158
Cash and cash equivalents at beginning of year	785,702	160,445
Cash and cash equivalents at end of six months	\$ 566,725	\$ 333,603

See notes to condensed consolidated financial statements.

TIFFANY & CO. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements include the accounts of Tiffany & Co. (the "Company") and its subsidiaries in which a controlling interest is maintained. Controlling interest is determined by majority ownership interest and the absence of substantive third-party participating rights or, in the case of variable interest entities ("VIE"s), if the Company has the power to significantly direct the activities of a VIE, as well as the obligation to absorb significant losses of or the right to receive significant benefits from the VIE. Intercompany accounts, transactions and profits have been eliminated in consolidation. The interim statements are unaudited and, in the opinion of management, include all adjustments (which represent normal recurring adjustments) necessary to fairly state the Company's financial position as of July 31, 2010 and 2009 and the results of its operations and cash flows for the interim periods presented. The condensed consolidated balance sheet data for January 31, 2010 is derived from the audited financial statements, which are included in the Company's Annual Report on Form 10-K and should be read in connection with these financial statements. As permitted by the rules of the Securities and Exchange Commission, these financial statements do not include all disclosures required by generally accepted accounting principles.

The Company's business is seasonal in nature, with the fourth quarter typically representing at least one-third of annual net sales and approximately one-half of annual net earnings. Therefore, the results of its operations for the three and six months ended July 31, 2010 and 2009 are not necessarily indicative of the results of the entire fiscal year.

2. DISCONTINUED OPERATIONS

In the fourth quarter of 2008, management concluded that it would no longer invest in its IRIDESSE business due to its ongoing operating losses and insufficient near-term growth prospects, especially in the economic environment at the time the decision was made. All IRIDESSE stores were closed in 2009. These amounts have been reclassified to discontinued operations for all periods presented. Prior to the reclassification, IRIDESSE results had been included within the Other non-reportable segment.

Summarized statement of earnings data for IRIDESSE is as follows:

<i>(in thousands)</i>	Three Months Ended July 31, 2009	Six Months Ended July 31, 2009
Net sales	\$ 6,743	\$ 12,187
Loss before income taxes	(830)	(5,907)
Benefit from income taxes	889	2,864
Net earnings (loss) from discontinued operations	\$ 59	\$ (3,043)

3. INVENTORIES

<i>(in thousands)</i>	July 31, 2010	January 31, 2010	July 31, 2009
Finished goods	\$ 978,021	\$ 904,523	\$ 1,068,149
Raw materials	469,804	450,966	412,720
Work-in-process	105,292	72,366	57,645
Inventories, net	\$ 1,553,117	\$ 1,427,855	\$ 1,538,514

4. INCOME TAXES

The effective income tax rate for the second quarter of 2010 was 34.0% versus 26.7% in the prior year which had included a \$5,700,000 benefit to the tax provision as a result of favorable reserve adjustments relating to the settlement of certain tax audits. The effective income tax rate for the six months ended July 31, 2010 was 32.5% versus 32.4% in the prior year. The effective income tax rate for the six months ended July 31, 2010 included the following non-recurring items recorded in the first quarter of 2010: (i) a benefit of \$5,006,000 due to a change in tax status of certain subsidiaries associated with the acquisition in 2009 of additional equity interests in diamond sourcing and polishing operations and (ii) a \$1,910,000 charge as a result of recent healthcare reform legislation, which eliminated the tax benefit associated with the Medicare Part D subsidy.

During the six months ended July 31, 2010, the change in the gross amount of unrecognized tax benefits and accrued interest and penalties was not significant.

The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. As a matter of course, various taxing authorities regularly audit the Company. The Company's tax filings are currently being examined by tax authorities in jurisdictions where its subsidiaries have a material presence, including New York state (tax years 2004-2007), Japan (tax years 2003-2008) and by the Internal Revenue Service (tax years 2007-2008). Tax years from 2002-present are open to examination in U.S. Federal and various state, local and foreign jurisdictions. The Company believes that its tax positions comply with applicable tax laws and that it has adequately provided for these matters. However, the audits may result in proposed assessments where the ultimate resolution may result in the Company owing additional taxes. The Company does not anticipate any material changes to the total gross amount of unrecognized tax benefits over the next 12 months. Future developments may result in a change in this assessment.

5. EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed as net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted EPS includes the dilutive effect of the assumed exercise of stock options and unvested restricted stock units.

The following table summarizes the reconciliation of the numerators and denominators for the basic and diluted EPS computations:

<i>(in thousands)</i>	Three Months Ended July 31,		Six Months Ended July 31,	
	2010	2009	2010	2009
Net earnings for basic and diluted EPS	\$ 67,675	\$ 56,776	\$ 132,100	\$ 81,117
Weighted-average shares for basic EPS	126,897	124,081	126,798	124,041
Incremental shares based upon the assumed exercise of stock options and unvested restricted stock units	1,488	442	1,666	302
Weighted-average shares for diluted EPS	128,385	124,523	128,464	124,343

For the three months ended July 31, 2010 and 2009, there were 487,000 and 7,126,000 stock options and restricted stock units excluded from the computations of earnings per diluted share due to their antidilutive effect. For the six months ended July 31, 2010 and 2009, there were 459,000 and 7,806,000 stock options and restricted stock units excluded from the computations of earnings per diluted share due to their antidilutive effect.

6. HEDGING INSTRUMENTS

Background Information

The Company uses derivative financial instruments, including interest rate swap agreements, forward contracts, put option contracts and net-zero-cost collar arrangements (combination of call and put option contracts) to mitigate its exposures to changes in interest rates, foreign currency and precious metal prices. Derivative instruments are recorded on the consolidated balance sheet at their fair values, as either assets or liabilities, with an offset to current or comprehensive earnings, depending on whether the derivative is designated as part of an effective hedge transaction and, if it is, the type of hedge transaction. If a derivative instrument meets certain hedge accounting criteria, the derivative instrument is designated as one of the following on the date the derivative is entered into:

- **Fair Value Hedge** – A hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment. For fair value hedge transactions, both the effective and ineffective portions of the changes in the fair value of the derivative and changes in the fair value of the item being hedged are recorded in current earnings.
- **Cash Flow Hedge** – A hedge of the exposure to variability in the cash flows of a recognized asset, liability or a forecasted transaction. For cash flow hedge transactions, the effective portion of the changes in fair value of derivatives are reported as other comprehensive income (“OCI”) and are recognized in current earnings in the period or periods during which the hedged transaction affects current earnings. Amounts excluded from the effectiveness calculation and any ineffective portions of the change in fair value of the derivative are recognized in current earnings.

The Company formally documents the nature and relationships between the hedging instruments and hedged items for a derivative to qualify as a hedge at inception and throughout the hedged period. The Company also documents its risk management objectives, strategies for undertaking the various hedge transactions and method of assessing hedge effectiveness. Additionally, for hedges of forecasted transactions, the significant characteristics and expected terms of a forecasted transaction must be specifically identified, and it must be probable that each forecasted transaction will occur. If it were deemed probable that the forecasted transaction would not occur, the gain or loss on the derivative financial instrument would be recognized in current earnings. Derivative financial instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedging instrument and the item being hedged, both at inception and throughout the hedged period.

The Company does not use derivative financial instruments for trading or speculative purposes.

Types of Derivative Instruments

Interest Rate Swap Agreements – In the second quarter of 2009, the Company entered into interest rate swap agreements to effectively convert its fixed rate 2002 Series D and 2008 Series A obligations to floating rate obligations. Since the fair value of the Company’s fixed rate long-term debt is sensitive to interest rate changes, the interest rate swap agreements serve as a hedge to changes in the fair value of these debt instruments. The Company is hedging its exposure to changes in interest rates over the remaining maturities of the debt agreements being hedged. The Company accounts for the interest rate swaps as fair value hedges. As of July 31, 2010, the notional amount of interest rate swap agreements outstanding was \$160,000,000.

Foreign Exchange Forward Contracts – The Company uses foreign exchange forward contracts to offset the foreign currency exchange risks associated with foreign currency-denominated liabilities and intercompany transactions between entities with differing functional currencies. These foreign exchange forward contracts are designated and accounted for as either cash flow hedges or economic hedges that are not designated as hedging instruments. As of July 31, 2010, the notional amount of foreign exchange forward contracts accounted for as cash flow hedges was \$14,492,000 and the notional amount of foreign exchange forward contracts accounted for as undesignated hedges was \$10,917,000. The term of all outstanding foreign exchange forward contracts as of July 31, 2010 ranged from one to 10 months.

Put Option Contracts – The Company’s wholly-owned subsidiary in Japan satisfies nearly all of its inventory

requirements by purchasing merchandise, payable in U.S. dollars, from the Company's principal subsidiary. To minimize the potentially negative effect of a significant strengthening of the U.S. dollar against the Japanese yen, the Company purchases put option contracts as hedges of forecasted purchases of merchandise over a maximum term of 13 months. If the market yen exchange rate at the time of the put option contract's expiration is stronger than the contracted exchange rate, the Company allows the put option contract to expire, limiting its loss to the cost of the put option contract. The Company accounts for its put option contracts as cash flow hedges. The Company assesses hedge effectiveness based on the total changes in the put option contracts' cash flows. As of July 31, 2010, the notional amount of put option contracts accounted for as cash flow hedges was \$103,100,000. During October 2009, the Company de-designated several of its outstanding put option contracts (notional amount of \$13,000,000 outstanding at July 31, 2010) and entered into offsetting call option contracts. These put and call option contracts are accounted for as undesignated hedges. Any gains or losses on these de-designated put option contracts are substantially offset by losses or gains on the call option contracts.

Precious Metal Collars & Forward Contracts – The Company periodically hedges a portion of its forecasted purchases of precious metals for use in its internal manufacturing operations in order to minimize the effect of volatility in precious metal prices. The Company may use either a combination of call and put option contracts in net-zero-cost collar arrangements ("precious metal collars") or forward contracts. For precious metal collars, if the price of the precious metal at the time of the expiration of the precious metal collar is within the call and put price, the precious metal collar would expire at no cost to the Company. The Company accounts for its precious metal collars and forward contracts as cash flow hedges. The Company assesses hedge effectiveness based on the total changes in the precious metal collars and forward contracts' cash flows. The maximum term over which the Company is hedging its exposure to the variability of future cash flows for all forecasted transactions is 13 months. As of July 31, 2010, there were approximately 20,000 ounces of platinum and 140,600 ounces of silver precious metal derivative instruments outstanding.

Information on the location and amounts of derivative gains and losses in the Condensed Consolidated Statements of Earnings is as follows:

	Three Months Ended July 31,			
	2010		2009	
	Pre-Tax Gain Recognized in Earnings on Derivatives	Pre-Tax Loss Recognized in Earnings on Hedged Item	Pre-Tax Loss Recognized in Earnings on Derivatives	Pre-Tax Gain Recognized in Earnings on Hedged Item

(in thousands)

Derivatives in Fair Value Hedging Relationships:

Interest rate swap agreements ^a	\$ 4,441	\$ (3,899)	\$ (623)	\$ 669
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	Six Months Ended July 31,			
	2010		2009	
	Pre-Tax Gain Recognized in Earnings on Derivatives	Pre-Tax Loss Recognized in Earnings on Hedged Item	Pre-Tax Loss Recognized in Earnings on Derivatives	Pre-Tax Gain Recognized in Earnings on Hedged Item

(in thousands)

Derivatives in Fair Value Hedging Relationships:

Interest rate swap agreements ^a	\$ 4,906	\$ (4,297)	\$ (623)	\$ 669
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	Three Months Ended July 31,			
	2010		2009	
	Pre-Tax Loss Recognized in OCI (Effective Portion)	Amount of (Loss) Gain Reclassified from Accumulated OCI into Earnings (Effective Portion)	Pre-Tax (Loss) Gain Recognized in OCI (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Earnings (Effective Portion)
<i>(in thousands)</i>				
Derivatives in Cash Flow Hedging Relationships:				
Foreign exchange forward contracts ^a	\$ (1,968)	\$ (37)	\$ (454)	\$ (950)
Put option contracts ^b	(1,769)	(692)	(755)	(950)
Precious metal collars ^b	(1)	(466)	587	(998)
Precious metal forward contracts ^b	(1,435)	322	—	—
	<u>\$ (5,173)</u>	<u>\$ (873)</u>	<u>\$ (622)</u>	<u>\$ (2,898)</u>

	Six Months Ended July 31,			
	2010		2009	
	Pre-Tax Gain (Loss) Recognized in OCI (Effective Portion)	Amount of (Loss) Gain Reclassified from Accumulated OCI into Earnings (Effective Portion)	Pre-Tax (Loss) Gain Recognized in OCI (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Earnings (Effective Portion)
<i>(in thousands)</i>				
Derivatives in Cash Flow Hedging Relationships:				
Foreign exchange forward contracts ^a	\$ 643	\$ (266)	\$ (523)	\$ (1,485)
Put option contracts ^b	(1,416)	(1,507)	(104)	(1,944)
Precious metal collars ^b	276	(1,178)	2,359	(896)
Precious metal forward contracts ^b	1,370	460	—	—
	<u>\$ 873</u>	<u>\$ (2,491)</u>	<u>\$ 1,732</u>	<u>\$ (4,325)</u>

	Pre-Tax (Loss) Gain Recognized in Earnings on Derivative	
	Three Months Ended July 31, 2010	Three Months Ended July 31, 2009
<i>(in thousands)</i>		
Derivatives Not Designated as Hedging Instruments:		
Foreign exchange forward contracts ^a	\$ (99) ^c	\$ (589) ^c
Call option contracts ^b	82	—
Put option contracts ^b	(82)	—
	<u>\$ (99)</u>	<u>\$ (589)</u>

<i>(in thousands)</i>	Pre-Tax (Loss) Gain Recognized in Earnings on Derivative	
	Six Months Ended July 31, 2010	Six Months Ended July 31, 2009
Derivatives Not Designated as Hedging Instruments:		
Foreign exchange forward contracts ^a	\$ (614) ^c	\$ (606) ^c
Call option contracts ^b	148	—
Put option contracts ^b	(148)	—
	\$ (614)	\$ (606)

^a The gain or loss recognized in earnings is included within Interest and other expenses, net on the Company's Condensed Consolidated Statement of Earnings.

^b The gain or loss recognized in earnings is included within Cost of Sales on the Company's Condensed Consolidated Statement of Earnings.

^c Gains or losses on the undesignated foreign exchange forward contracts substantially offset foreign exchange losses or gains on the liabilities and transactions being hedged.

There was no material ineffectiveness related to the Company's hedging instruments for the periods ended July 31, 2010 and 2009. The Company expects approximately \$1,889,000 of net pre-tax derivative gains included in accumulated other comprehensive income at July 31, 2010 will be reclassified into earnings within the next 12 months. This amount will vary due to fluctuations in foreign currency exchange rates and precious metal prices.

For information regarding the location and amount of the derivative instruments in the Condensed Consolidated Balance Sheet, refer to "Note 7. Fair Value of Financial Instruments."

Concentration of Credit Risk

A number of major international financial institutions are counterparties to the Company's derivative financial instruments. The Company enters into derivative financial instrument agreements only with counterparties meeting certain credit standards (a credit rating of A/A2 or better at the time of the agreement), limiting the amount of agreements or contracts it enters into with any one party. The Company may be exposed to credit losses in the event of nonperformance by individual counterparties or the entire group of counterparties.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. U.S. GAAP prescribes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 inputs are considered to carry the most weight within the fair value hierarchy due to the low levels of judgment required in determining fair values.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs reflecting the reporting entity's own assumptions. Level 3 inputs are considered to carry the least weight within the fair value hierarchy due to substantial levels of judgment required in determining fair values.

The Company uses the market approach to measure fair value for its mutual funds, time deposits and derivative instruments. The Company's interest rate swap agreements are primarily valued using the 3-month LIBOR rate. The Company's put and call option contracts, as well as its foreign exchange forward contracts, are primarily valued using the appropriate foreign exchange spot rates. The Company's precious metal collars and precious metal forward contracts are primarily valued using the relevant precious metal spot rate. For further information on the Company's hedging instruments and program, see "Note 6. Hedging Instruments."

Financial assets and liabilities carried at fair value at July 31, 2010 are classified in the table below in one of the three categories described above:

<i>(in thousands)</i>	Carrying Value	Estimated Fair Value			Total Fair Value
		Level 1	Level 2	Level 3	
Financial Assets					
Mutual funds ^a	\$ 41,318	\$ 41,318	\$ —	\$ —	\$ 41,318
Time deposits ^b	47,949	47,949	—	—	47,949
Derivatives designated as hedging instruments:					
Interest rate swap agreements ^a					
	6,901	—	6,901	—	6,901
Put option contracts ^c	856	—	856	—	856
Precious metal forward contracts ^c					
	1,220	—	1,220	—	1,220
Precious metal collars ^c	151	—	151	—	151
Derivatives not designated as hedging instruments:					
Foreign exchange forward contracts ^c					
	184	—	184	—	184
Total assets	\$ 98,579	\$ 89,267	\$ 9,312	\$ —	\$ 98,579

<i>(in thousands)</i>	Carrying Value	Estimated Fair Value			Total Fair Value
		Level 1	Level 2	Level 3	
Financial Liabilities					
Derivatives designated as hedging instruments:					
Foreign exchange forward contracts ^d					
	\$ 452	\$ —	\$ 452	\$ —	\$ 452
Total liabilities	\$ 452	\$ —	\$ 452	\$ —	\$ 452

Financial assets and liabilities carried at fair value at July 31, 2009 are classified in the table below in one of the three categories described above:

<i>(in thousands)</i>	Carrying Value	Estimated Fair Value			Total Fair Value
		Level 1	Level 2	Level 3	
Financial Assets					
Mutual funds ^a	\$ 25,191	\$ 25,191	\$ —	\$ —	\$ 25,191
Derivatives designated as hedging instruments:					
Interest rate swap agreements ^a	4	—	4	—	4
Put option contracts ^c	1,710	—	1,710	—	1,710
Precious metal collars ^c	524	—	524	—	524
Derivatives not designated as hedging instruments:					
Foreign exchange forward contracts ^c	270	—	270	—	270
Total assets	\$ 27,699	\$ 25,191	\$ 2,508	\$ —	\$ 27,699

Financial Liabilities

Derivatives designated as hedging instruments:

Interest rate swap agreements ^c	\$ 627	\$ —	\$ 627	\$ —	\$ 627
Precious metal collars ^d	146	—	146	—	146

Derivatives not designated as hedging instruments:

Foreign exchange forward contracts ^d	852	—	852	—	852
Total liabilities	\$ 1,625	\$ —	\$ 1,625	\$ —	\$ 1,625

^a This amount is included within Other assets, net on the Company's Condensed Consolidated Balance Sheet.

^b This amount is included within Short-term investments on the Company's Condensed Consolidated Balance Sheet.

^c This amount is included within Prepaid expenses and other current assets on the Company's Condensed Consolidated Balance Sheet.

^d This amount is included within Accounts payable and accrued liabilities on the Company's Condensed Consolidated Balance Sheet.

^e This amount is included within Other long-term liabilities on the Company's Condensed Consolidated Balance Sheet.

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates carrying value due to the short-term maturities of these assets and liabilities. The fair value of debt with variable interest rates approximates carrying value. The fair value of debt with fixed interest rates was determined using the quoted market prices of debt instruments with similar terms and maturities. The total carrying value of short-term borrowings and long-term debt was \$782,036,000 and \$751,748,000 and the corresponding fair value was approximately \$850,000,000 and \$770,000,000 at both July 31, 2010 and 2009.

8. COMMITMENTS AND CONTINGENCIES

In April 2010, Tiffany and Company, the Company's principal operating subsidiary ("Tiffany") committed to a plan to consolidate its New York headquarters staff within one location in New York City from three

separate locations currently leased in midtown Manhattan. The move is expected to occur in spring 2011 and will generate occupancy savings. Tiffany intends to sublease its existing properties through the end of their lease terms which run through 2015, but expects to recover only a portion of its rent obligations due to current market conditions. Accordingly, Tiffany anticipates recording expenses of approximately \$30,000,000 primarily within selling, general and administrative expenses in the consolidated statement of earnings in the fiscal year ending January 31, 2012; this expense is related to the fair value of the remaining non-cancelable lease obligations reduced by the estimated sublease rental income. Additionally, Tiffany will incur expenses of approximately \$18,000,000 in the fiscal year ending January 31, 2011 and \$5,000,000 in the fiscal year ending January 31, 2012 primarily related to the acceleration of the useful lives of certain property and equipment and incremental rents during the transition period. Changes in market conditions may affect the total expenses ultimately recorded. The expenses recorded during the three and six months ended July 31, 2010 were \$3,945,000 and \$4,805,000, respectively, and are primarily included in selling, general and administrative expenses ("SG&A"). This new lease, which expires in 2026, will increase total minimum annual rental payments as disclosed in the January 31, 2010 Annual Report on Form 10-K by the following amounts:

<i>(in thousands)</i>	Total	2010	2011-2012	2013-2014	Thereafter
Unrecorded contractual obligations:					
Operating leases	\$ 224,525	\$ —	\$ 25,067	\$ 27,346	\$ 172,112

9. STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

<i>(in thousands)</i>	July 31, 2010	January 31, 2010	July 31, 2009
Accumulated other comprehensive (loss) gain, net of tax:			
Foreign currency translation adjustments	\$ 14,341	\$ 16,512	\$ 1,480
Deferred hedging loss	(532)	(2,607)	(5,160)
Unrealized loss on marketable securities	(1,263)	(1,899)	(3,240)
Net unrealized loss on benefit plans	(44,249)	(45,271)	(30,053)
	<u>\$ (31,703)</u>	<u>\$ (33,265)</u>	<u>\$ (36,973)</u>

10. EMPLOYEE BENEFIT PLANS

The Company maintains several pension and retirement plans, as well as provides certain health-care and life insurance benefits.

Net periodic pension and other postretirement benefit expense included the following components:

<i>(in thousands)</i>	Three Months Ended July 31,			
	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Net Periodic Benefit Cost:				
Service cost	\$ 3,274	\$ 2,949	\$ 347	\$ 268
Interest cost	5,998	5,681	696	646
Expected return on plan assets	(4,455)	(3,726)	—	—
Amortization of prior service cost	269	268	(165)	(165)
Amortization of net loss (gain)	760	(74)	—	(1)
Net expense	<u>\$ 5,846</u>	<u>\$ 5,098</u>	<u>\$ 878</u>	<u>\$ 748</u>

<i>(in thousands)</i>	Six Months Ended July 31,			
	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Net Periodic Benefit Cost:				
Service cost	\$ 6,543	\$ 5,897	\$ 694	\$ 536
Interest cost	11,995	11,362	1,392	1,292
Expected return on plan assets	(8,910)	(7,452)	—	—
Amortization of prior service cost	538	536	(330)	(330)
Amortization of net loss (gain)	1,520	(148)	—	(2)
Net expense	\$ 11,686	\$ 10,195	\$ 1,756	\$ 1,496

11. SEGMENT INFORMATION

Effective with the first quarter of 2010, management has changed the Company's segment reporting in order to align with a change in its organizational and management reporting structure. Specifically, the Company is now reporting results in Japan separately from the rest of the Asia-Pacific region, and results for certain "emerging market" countries that were previously included in the Europe and Asia-Pacific segments are now included in the "Other" non-reportable segment. Prior year results have been revised to reflect this change. The Company's reportable segments are as follows:

- Americas includes sales in TIFFANY & CO. stores in the United States, Canada and Latin/South America, as well as sales of TIFFANY & CO. products in certain markets through business-to-business, Internet, catalog and wholesale operations;
- Asia-Pacific includes sales in TIFFANY & CO. stores in Asia-Pacific markets (excluding Japan), as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations;
- Japan includes sales in TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products through business-to-business, Internet and wholesale operations;
- Europe includes sales in TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations; and
- Other consists of all non-reportable segments. Other consists primarily of wholesale sales of TIFFANY & CO. merchandise to independent distributors for resale in certain emerging markets (such as the Middle East and Russia) and wholesale sales of diamonds obtained through bulk purchases that were subsequently deemed not suitable for the Company's needs. In addition, Other includes earnings received from a third-party licensing agreement.

The results of IRIDESSE are presented as a discontinued operation in the condensed consolidated financial statements for all periods presented. Prior to the reclassification, IRIDESSE results had been included within the Other non-reportable segment. Refer to "Note 2. Discontinued Operations."

Certain information relating to the Company's segments is set forth below:

<i>(in thousands)</i>	Three Months Ended July 31,		Six Months Ended July 31,	
	2010	2009	2010	2009
Net sales:				
Americas	\$ 350,433	\$ 324,862	\$ 665,691	\$ 583,856
Asia-Pacific	111,490	91,920	233,826	173,616
Japan	118,031	113,738	233,080	230,767
Europe	76,893	67,301	145,521	122,257
Total reportable segments	656,847	597,821	1,278,118	1,110,496
Other	11,913	14,672	24,228	19,612
	<u>\$ 668,760</u>	<u>\$ 612,493</u>	<u>\$ 1,302,346</u>	<u>\$ 1,130,108</u>
Earnings (losses) from continuing operations*:				
Americas	\$ 68,970	\$ 55,738	\$ 123,892	\$ 85,207
Asia-Pacific	24,366	19,433	56,540	36,695
Japan	31,228	29,321	62,224	60,285
Europe	16,841	11,402	31,469	18,932
Total reportable segments	141,405	115,894	274,125	201,119
Other	862	(3,176)	1,110	(4,400)
	<u>\$ 142,267</u>	<u>\$ 112,718</u>	<u>\$ 275,235</u>	<u>\$ 196,719</u>

*Represents earnings (losses) from continuing operations before unallocated corporate expenses, interest and other expenses, net and other (expense) income.

The following table sets forth a reconciliation of the segments' earnings from continuing operations to the Company's consolidated earnings from continuing operations before income taxes:

<i>(in thousands)</i>	Three Months Ended July 31,		Six Months Ended July 31,	
	2010	2009	2010	2009
Earnings from continuing operations for segments	\$ 142,267	\$ 112,718	\$ 275,235	\$ 196,719
Unallocated corporate expenses	(24,716)	(27,606)	(51,407)	(52,093)
Interest and other expenses, net	(11,121)	(12,132)	(23,259)	(24,572)
Other (expense) income	(3,945)	4,442	(4,805)	4,442
Earnings from continuing operations before income taxes	<u>\$ 102,485</u>	<u>\$ 77,422</u>	<u>\$ 195,764</u>	<u>\$ 124,496</u>

Unallocated corporate expenses includes certain costs related to administrative support functions which the Company does not allocate to its segments. Such unallocated costs include those for information technology, finance, legal and human resources.

Other expense in the second quarter and first half of 2010 represents accelerated depreciation and incremental rent expense associated with Tiffany's plan to consolidate its New York headquarters staff within one location. See "Note 8. Commitments and Contingencies."

Other income in the three and six months ended July 31, 2009 represents income received in connection with the assignment of the Tahera Diamond Corporation commitments and liens to an unrelated third party, recorded within SG&A, which represents full settlement under the terms of the assignment agreement. The

Company had taken an impairment charge of \$47,981,000 in the year ended January 31, 2008 associated with the Commitment.

12. SUBSEQUENT EVENTS

On August 19, 2010, the Company's Board of Directors declared a quarterly dividend of \$0.25 per share. This dividend will be paid on October 11, 2010 to stockholders of record on September 20, 2010.

On September 1, 2010, the Company, in a private transaction, issued, at par, ¥10,000,000,000 (approximately \$115,000,000) of 1.72% Senior Notes due September 2016. The proceeds will be used to repay a portion of certain debt coming due in the next 12 months. The agreement requires lump sum repayments upon maturity and includes specific financial covenants and ratios and limits certain payments, investments and indebtedness, in addition to other requirements customary to such borrowings.

PART I. Financial Information
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Tiffany & Co. (the "Company") is a holding company that operates through its subsidiary companies. The Company's principal subsidiary, Tiffany and Company ("Tiffany"), is a jeweler and specialty retailer whose principal merchandise offering is fine jewelry. The Company also sells timepieces, sterling silverware, china, crystal, stationery, fragrances and accessories. Through Tiffany and Company and other subsidiaries, the Company is engaged in product design, manufacturing and retailing activities.

Effective with the first quarter of 2010, management has changed the Company's segment reporting in order to align with a change in its organizational and management reporting structure. Specifically, the Company is now reporting results in Japan separately from the rest of the Asia-Pacific region, and results for certain "emerging market" countries that were previously included in the Europe and Asia-Pacific segments are now included in the "Other" non-reportable segment. Prior year results have been revised to reflect this change. The Company's reportable segments are as follows:

- Americas includes sales in TIFFANY & CO. stores in the United States, Canada and Latin/South America, as well as sales of TIFFANY & CO. products in certain markets through business-to-business, Internet, catalog and wholesale operations;
- Asia-Pacific includes sales in TIFFANY & CO. stores in Asia-Pacific markets (excluding Japan), as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations;
- Japan includes sales in TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products through business-to-business, Internet and wholesale operations;
- Europe includes sales in TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations; and
- Other consists of all non-reportable segments. Other consists primarily of wholesale sales of TIFFANY & CO. merchandise to independent distributors for resale in certain emerging markets (such as the Middle East and Russia) and wholesale sales of diamonds obtained through bulk purchases that were subsequently deemed not suitable for the Company's needs. In addition, Other includes earnings received from a third-party licensing agreement.

The results of IRIDESSE, a business that was closed in 2009, are presented as a discontinued operation in the condensed consolidated financial statements for all periods presented. Prior to the reclassification, IRIDESSE results had been included within the Other non-reportable segment. Refer to "Item 1. Notes to Condensed Consolidated Financial Statements – Note 2. Discontinued Operations."

All references to years relate to fiscal years ended or ending on January 31 of the following calendar year.

HIGHLIGHTS

- Worldwide net sales increased 9% in the three months ("second quarter") and increased 15% in the six months ("first half") ended July 31, 2010. Sales in all reportable segments increased in the second quarter and first half.
- On a constant-exchange-rate basis (see "Non-GAAP Measures" below), worldwide net sales increased 8% in the second quarter and increased 13% in the first half. Comparable store sales increased 5% in the second quarter and increased 7% in the first half.
- The Company opened three stores, two in China and one in Singapore, in the first half of 2010. Management's current worldwide objective is to open 14 stores in 2010.

- The Company launched e-commerce sites in Austria, Belgium, France, Germany, Ireland, Italy, the Netherlands and Spain in the second quarter of 2010.
- Operating margin increased 2.4 percentage points in the second quarter due to a higher gross margin and increased 3.6 percentage points in the first half due to a higher gross margin and the leveraging of operating expenses.
- Net earnings from continuing operations increased 19% to \$67,675,000 in the second quarter and increased 57% to \$132,100,000 in the first half of 2010.

NON-GAAP MEASURES

The Company's reported sales reflect either a translation-related benefit from strengthening foreign currencies or a detriment from a strengthening U.S. dollar.

The Company reports information in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). Internally, management monitors its sales performance on a non-GAAP basis that eliminates the positive or negative effects that result from translating international sales into U.S. dollars ("constant-exchange-rate basis"). Management believes this constant-exchange-rate basis provides a more representative assessment of sales performance and provides better comparability between reporting periods.

The Company's management does not, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. The Company presents such non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate the Company's operating results. The following table reconciles sales percentage increases (decreases) from the GAAP to the non-GAAP basis versus the previous year:

	Second Quarter 2010 vs. 2009			First Half 2010 vs. 2009		
	GAAP Reported	Translation Effect	Constant-Exchange-Rate Basis	GAAP Reported	Translation Effect	Constant-Exchange-Rate Basis
<u>Net Sales:</u>						
Worldwide	9%	1%	8%	15%	2%	13%
Americas	8%	1%	7%	14%	1%	13%
Asia-Pacific	21%	4%	17%	35%	8%	27%
Japan	4%	6%	(2)%	1%	6%	(5)%
Europe	14%	(11)%	25%	19%	(3)%	22%
<u>Comparable Store Sales:</u>						
Worldwide	6%	1%	5%	10%	3%	7%
Americas	6%	1%	5%	11%	1%	10%
Asia-Pacific	10%	3%	7%	21%	7%	14%
Japan	(1)%	6%	(7)%	(3)%	5%	(8)%
Europe	11%	(10)%	21%	15%	(3)%	18%

RESULTS OF OPERATIONS

Net Sales

Net sales by segment were as follows:

<i>(in thousands)</i>	Second Quarter		
	2010	2009	Increase (Decrease)
Americas	\$ 350,433	\$ 324,862	8%
Asia-Pacific	111,490	91,920	21%
Japan	118,031	113,738	4%
Europe	76,893	67,301	14%
Other	11,913	14,672	(19)%
	<u>\$ 668,760</u>	<u>\$ 612,493</u>	<u>9%</u>

<i>(in thousands)</i>	First Half		
	2010	2009	Increase
Americas	\$ 665,691	\$ 583,856	14%
Asia-Pacific	233,826	173,616	35%
Japan	233,080	230,767	1%
Europe	145,521	122,257	19%
Other	24,228	19,612	24%
	<u>\$ 1,302,346</u>	<u>\$ 1,130,108</u>	<u>15%</u>

Comparable Store Sales. Reference will be made to comparable store sales below. Comparable store sales include only sales transacted in company-operated stores and boutiques. A store's sales are included in comparable store sales when the store has been open for more than 12 months. In markets other than Japan, sales for relocated stores are included in comparable store sales if the relocation occurs within the same geographical market. In Japan, sales for a new store or boutique are not included if the store or boutique was relocated from one department store to another or from a department store to a free-standing location. In all markets, the results of a store in which the square footage has been expanded or reduced remain in the comparable store base.

Americas. Total sales in the Americas increased \$25,571,000, or 8%, in the second quarter primarily due to an increase in the average price per unit sold. Comparable store sales increased \$16,450,000, or 6%, in the second quarter, consisting of increases in both comparable branch store sales of 5% and New York Flagship store sales of 8%. Non-comparable store sales grew \$5,414,000 in the second quarter. On a constant-exchange-rate basis, Americas sales increased 7%, and comparable store sales increased 5% in the second quarter. Combined Internet and catalog sales in the Americas decreased \$619,000, or 2%, in the second quarter.

Total sales in the Americas increased \$81,835,000, or 14%, in the first half of 2010 largely due to an increase in the number of units sold, as well as an increase in the average price per unit sold. Comparable store sales increased \$53,301,000, or 11%, in the first half, consisting of increases in both comparable branch store sales of 10% and New York Flagship store sales of 16%. Non-comparable store sales grew \$15,030,000 in the first half. On a constant-exchange-rate basis, Americas sales increased 13%, and comparable store sales increased 10% in the first half. Combined Internet and catalog sales in the Americas increased \$5,902,000, or 9%, in the first half due to increases in both the average price per order and the number of orders.

Asia-Pacific. Total sales in Asia-Pacific increased \$19,570,000, or 21%, in the second quarter primarily due to an increase in the average price per unit sold. Comparable store sales increased \$8,771,000, or 10%, and non-comparable store sales grew \$10,284,000. On a constant-exchange-rate basis, Asia-Pacific sales increased 17% and comparable store sales increased 7% in the second quarter due to growth in most markets.

Total sales in Asia-Pacific increased \$60,210,000, or 35%, in the first half of 2010 equally due to increases in the average price per unit sold and the number of units sold. Comparable store sales increased \$33,164,000, or 21%, and

non-comparable store sales grew \$24,775,000. On a constant-exchange-rate basis, Asia-Pacific sales increased 27% and comparable store sales increased 14% in the first half due to growth in most markets.

Japan. Total sales in Japan increased \$4,293,000, or 4%, in the second quarter due to an increase in the average price per unit sold (primarily reflecting the translation of yen-denominated sales into U.S. dollars), which was partly offset by a decline in the number of units sold. Comparable store sales declined \$1,130,000, or 1%, in the second quarter. On a constant-exchange-rate basis, Japan sales decreased 2% and comparable store sales decreased 7% in the second quarter.

Total sales in Japan increased \$2,313,000, or 1%, in the first half of 2010 due to an increase in the average price per unit sold (reflecting the translation of yen-denominated sales into U.S. dollars), which was almost entirely offset by a decline in the number of units sold. Comparable store sales declined \$6,235,000, or 3%, in the first half. On a constant-exchange-rate basis, Japan sales decreased 5% and comparable store sales decreased 8% in the first half.

Europe. Total sales in Europe increased \$9,592,000, or 14%, in the second quarter primarily due to increases in the number of units sold. This included increased comparable store sales of \$6,304,000, or 11%, and non-comparable store sales growth of \$4,630,000. On a constant-exchange-rate basis, sales increased 25% and comparable store sales increased 21% in the second quarter, reflecting broad-based geographical growth.

Total sales in Europe increased \$23,264,000, or 19%, in the first half of 2010 primarily due to increases in the number of units sold. This included increased comparable store sales of \$16,058,000, or 15%, and non-comparable store sales growth of \$8,917,000. On a constant-exchange-rate basis, sales increased 22% and comparable store sales increased 18% in the first half, reflecting broad-based geographical growth.

Other. Other sales decreased \$2,759,000, or 19%, in the second quarter primarily due to lower wholesale sales of diamonds that were deemed not suitable for the Company's needs. Other sales increased \$4,616,000, or 24% in the first half of 2010 primarily due to higher wholesale sales of diamonds and increased wholesale sales of TIFFANY & CO. merchandise to independent distributors.

Store Data. Management currently expects to open 14 Company-operated TIFFANY & CO. stores and boutiques in 2010, increasing the store base by approximately 6%, which includes the following locations which have already been opened and/or where plans have been finalized:

Location	Openings as of July 31, 2010	Remaining Openings 2010
Americas:		
Baltimore, Maryland		Third Quarter
Santa Monica, California		Third Quarter
Jacksonville, Florida		Fourth Quarter
Houston – Woodlands, Texas		Fourth Quarter
Los Angeles – Beverly Center, California		Fourth Quarter
Asia-Pacific:		
Shanghai – Hong Kong Plaza, China	First Quarter	
Shanghai – IFC Mall, China	Second Quarter	
Marina Bay, Singapore	Second Quarter	
Beijing – China World III, China		Third Quarter
Taipei – Bellavita, Taiwan		Third Quarter
Seoul – Hyundai Shinchon, Korea		Fourth Quarter
Europe:		
London – Canary Wharf, England		Third Quarter
Barcelona, Spain		Fourth Quarter

Gross Margin

	Second Quarter		First Half	
	2010	2009	2010	2009
Gross profit as a percentage of net sales	57.8%	55.1%	57.8%	55.5%

Gross margin (gross profit as a percentage of net sales) increased in the second quarter and first half by 2.7 and 2.3 percentage points, which was driven primarily by the recapture of higher product costs through retail price increases, as well as manufacturing efficiencies. In addition, gross margin in the second quarter of 2010 benefited from a decline in wholesale sales of rough diamonds.

Management periodically reviews and may adjust its retail prices, as it did in the first quarter of 2010, to address specific market conditions, product cost increases and longer-term changes in foreign currencies/U.S. dollar relationships. Among the market conditions that the Company addresses is consumer demand for the product category involved, which may be influenced by consumer confidence and competitive pricing conditions. The Company uses derivative instruments to mitigate foreign exchange and precious metal price exposures (see “Item 1. Notes to Condensed Consolidated Financial Statements – Note 6. Hedging Instruments”).

Selling, General and Administrative (“SG&A”) Expenses

	Second Quarter		First Half	
	2010	2009	2010	2009
SG&A expenses as a percentage of net sales	40.8%	40.5%	41.0%	42.3%

SG&A expenses increased \$25,248,000, or 10%, in the second quarter of 2010, primarily due to increased depreciation and store occupancy expenses of \$8,797,000 related to new and existing stores as well as costs associated with Tiffany’s plan to consolidate its New York headquarters staff within one location (see “Item 1. Notes to Condensed Consolidated Financial Statements – Note 8. Commitments and Contingencies”), increased labor and benefit costs of \$6,507,000 and increased marketing expenses of \$6,204,000. In the first half of 2010, SG&A expenses increased \$56,104,000 or 12%, primarily due to increased depreciation and store occupancy expenses of \$16,551,000 due to new and existing stores as well as costs associated with Tiffany’s New York headquarters discussed above, increased labor and benefit costs of \$15,804,000 and increased marketing expenses of \$10,889,000. In addition, SG&A expenses were lower in the second quarter and first half of 2009 due to \$4,442,000 of income received in connection with a note that had been previously impaired. SG&A expenses as a percentage of net sales increased by 0.3 percentage point in the second quarter due to the lower SG&A expenses in 2009 as discussed in the previous sentence and decreased by 1.3 percentage points in the first half due to sales leverage on fixed costs. Changes in foreign currency exchange rates had an insignificant translation effect on overall SG&A expenses in the second quarter and first half.

Earnings from Continuing Operations

<i>(in thousands)</i>	Second Quarter 2010	% of Net Sales*	Second Quarter 2009	% of Net Sales*
Earnings (losses) from continuing operations:				
Americas	\$ 68,970	19.7%	\$ 55,738	17.2%
Asia-Pacific	24,366	21.9%	19,433	21.1%
Japan	31,228	26.5%	29,321	25.8%
Europe	16,841	21.9%	11,402	16.9%
Other	862	7.2%	(3,176)	(21.6)%
	142,267		112,718	
Unallocated corporate expenses	(24,716)	3.7%	(27,606)	4.5%
Other (expense) income	(3,945)		4,442	
Earnings from continuing operations	\$ 113,606	17.0%	\$ 89,554	14.6%

* Percentages represent earnings (losses) from continuing operations as a percentage of each segment’s net sales.

Earnings from continuing operations increased 27% in the second quarter. On a segment basis, the ratio of earnings (losses) from continuing operations (before the effect of unallocated corporate expenses and other (expense) income) to each segment’s net sales in the second quarter of 2010 and 2009 was as follows:

- Americas – the ratio increased 2.5 percentage points primarily resulting from an increase in gross margin, as well as the effect of sales growth leveraging on operating expenses;
- Asia-Pacific – the ratio increased 0.8 percentage point primarily due to an increase in gross margin, which was partly offset by increased operating expenses associated with new and existing locations;

- Japan – the ratio increased 0.7 percentage point primarily due to an increase in gross margin, which was partly offset by increased marketing expenses;
- Europe – the ratio increased 5.0 percentage points primarily due to the leveraging of operating expenses, as well as an increase in gross margin; and
- Other – the ratio increased 28.8 percentage points. The prior period operating loss included a valuation adjustment related to the write-down of wholesale diamond inventory deemed not suitable for the Company’s needs.

<i>(in thousands)</i>	First Half 2010	% of Net Sales*	First Half 2009	% of Net Sales*
Earnings (losses) from continuing operations:				
Americas	\$ 123,892	18.6%	\$ 85,207	14.6%
Asia-Pacific	56,540	24.2%	36,695	21.1%
Japan	62,224	26.7%	60,285	26.1%
Europe	31,469	21.6%	18,932	15.5%
Other	1,110	4.6%	(4,400)	(22.4)%
	<u>275,235</u>		<u>196,719</u>	
Unallocated corporate expenses	(51,407)	3.9%	(52,093)	4.6%
Other (expense) income	(4,805)		4,442	
Earnings from continuing operations	<u>\$ 219,023</u>	<u>16.8%</u>	<u>\$ 149,068</u>	<u>13.2%</u>

* Percentages represent earnings (losses) from continuing operations as a percentage of each segment’s net sales.

Earnings from continuing operations increased 47% in the first half. On a segment basis, the ratio of earnings (losses) from continuing operations (before the effect of unallocated corporate expenses and other (expense) income) to each segment’s net sales in the first half of 2010 and 2009 was as follows:

- Americas – the ratio increased 4.0 percentage points primarily due to the leveraging of operating expenses, as well as an increase in gross margin;
- Asia-Pacific – the ratio increased 3.1 percentage points primarily due to an increase in gross margin, as well as the leveraging of operating expenses;
- Japan – the ratio increased 0.6 percentage point primarily due to an increase in gross margin, which was partly offset by an increase in marketing expenses;
- Europe – the ratio increased 6.1 percentage points primarily due to the leveraging of operating expenses, as well as an increase in gross margin; and
- Other – the ratio increased 27.0 percentage points. The prior period operating loss included a valuation adjustment related to the write-down of wholesale diamond inventory deemed not suitable for the Company’s needs.

Unallocated corporate expenses includes certain costs related to administrative support functions which the Company does not allocate to its segments. Such unallocated costs include those for information technology, finance, legal and human resources. Total unallocated corporate expenses decreased in the second quarter and first half versus comparable periods in the prior year.

Other expense in the second quarter and first half of 2010 represents accelerated depreciation and incremental rent expense associated with Tiffany’s plan to consolidate its New York headquarters staff within one location. See “Item 1. Notes to Condensed Consolidated Financial Statements – Note 8. Commitments and Contingencies”.

Other income in the second quarter and first half of 2009 represents income received in connection with the assignment of the Tahera Diamond Corporation commitments and liens to an unrelated third party, recorded within SG&A, which represents full settlement under the terms of the assignment agreement.

Interest and Other Expenses, net

Interest and other expenses, net decreased \$1,011,000 in the second quarter and \$1,313,000 in the first half.

Provision for Income Taxes

The effective income tax rate for the second quarter of 2010 was 34.0% versus 26.7% in the prior year which had included a \$5,700,000 benefit to the tax provision as a result of favorable reserve adjustments relating to the settlement of certain tax audits. The effective income tax rate for the six months ended July 31, 2010 was 32.5% versus 32.4% in the prior year. The effective income tax rate for the six months ended July 31, 2010 included the following non-recurring items recorded in the first quarter of 2010: (i) a benefit of \$5,006,000 due to a change in tax status of certain subsidiaries associated with the acquisition in 2009 of additional equity interests in diamond sourcing and polishing operations and (ii) a \$1,910,000 charge as a result of recent healthcare reform legislation, which eliminated the tax benefit associated with the Medicare Part D subsidy.

Net Loss from Discontinued Operations

The loss from discontinued operations related to the Company's IRIDESSE business was \$5,907,000 pre-tax (\$3,043,000 after tax) for the six months ended July 31, 2009. See "Item 1. Notes to Condensed Consolidated Financial Statements – Note 2. Discontinued Operations."

2010 Outlook

Management's outlook for full year 2010 is based on the following assumptions, which may or may not prove valid, and should be read in conjunction with "Item 1A. Risk Factors" on page 31:

- A worldwide net sales increase of approximately 11%. By region, sales (denominated in U.S. dollars) are expected to increase approximately 10% in the Americas, to increase by a mid-twenties percentage in Asia-Pacific, to decline by a low single-digit percentage in Japan and to increase by a mid-teens percentage in Europe. Other sales are expected to increase modestly from the prior year.
- The opening of 14 new Company-operated stores (five in the Americas, seven in Asia-Pacific and two in Europe).
- An increase in operating margin primarily due to a higher gross margin, as well as an improved ratio of SG&A expenses to net sales.
- Interest and other expenses, net of approximately \$50,000,000.
- An effective income tax rate of 34% - 35%.
- Net earnings from continuing operations per diluted share of \$2.60 - \$2.65.
- A high-single-digit percentage increase in net inventories.
- Capital expenditures of approximately \$180,000,000.

Note that the items listed above exclude i) approximately \$18,000,000 of accelerated depreciation charges and incremental rent primarily related to Tiffany's plans to relocate and house Tiffany's New York headquarters staff (see "Item 1. Notes to Condensed Consolidated Financial Statements – Note 8. Commitments & Contingencies.") and ii) \$3,096,000 net tax benefit (see "Item 1. Notes to Condensed Consolidated Financial Statements – Note 4. Income Taxes"). In total, these items will reduce earnings in 2010 by approximately \$0.06 per diluted share.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity needs have been, and are expected to remain, primarily a function of its ongoing, seasonal and expansion-related working capital requirements and capital expenditures needs. Over the long term, the Company manages its cash and capital structure to maintain a strong financial position and provide flexibility to pursue future strategic initiatives. Management continuously assesses its working capital needs, capital expenditure requirements, debt service, dividend payouts, share repurchases and future investments. Management believes that cash on hand, internally-generated cash flows and the funds available under its revolving Credit Facility are sufficient to support the Company's liquidity and capital requirements for the foreseeable future. Within the next 12 months, \$269,960,000 of the Company's long-term debt will reach maturity. On September 1, 2010, the Company refinanced ¥10,000,000,000, or approximately \$115,000,000 and intends to repay the remaining amount coming due in the next 12 months with cash on hand.

The following table summarizes cash flows from operating, investing and financing activities:

<i>(in thousands)</i>	First Half	
	2010	2009
Net cash (used in) provided by:		
Operating activities	\$ (60,111)	\$ 179,400
Investing activities	(99,221)	(27,487)
Financing activities	(58,365)	6,494
Effect of exchange rates on cash and cash equivalents	(1,280)	18,287
Net cash used in discontinued operations	—	(3,536)
Net (decrease) increase in cash and cash equivalents	<u>\$ (218,977)</u>	<u>\$ 173,158</u>

Operating Activities

The Company had a net cash outflow from operating activities of \$60,111,000 in the first half of 2010 compared with an inflow of \$179,400,000 in the same period in 2009. The variance between 2010 and 2009 is primarily due to an increase in inventories as well as the Company's contribution of \$40,000,000 to its pension plan in the first quarter of 2010 (reflected in Other, net on the Condensed Consolidated Statements of Cash Flows).

Working Capital. Working capital (current assets less current liabilities) and the corresponding current ratio (current assets divided by current liabilities) were \$1,860,711,000 and 4.3 at July 31, 2010, compared with \$1,845,393,000 and 4.1 at January 31, 2010 and \$1,844,653,000 and 7.6 at July 31, 2009. The decrease in the ratio from July 31, 2009 was primarily due to an increase in the current portion of long-term debt.

Accounts receivable, less allowances at July 31, 2010 were 1% lower than January 31, 2010. Accounts receivable, less allowances at July 31, 2010 was 12% higher than July 31, 2009, reflecting sales growth. Changes in foreign currency exchange rates had an insignificant translation effect on the change in accounts receivable balances.

Inventories, net at July 31, 2010 were 9% higher than January 31, 2010 and were 1% higher than July 31, 2009. In 2009, management reduced inventory levels due to economic conditions and inventories also finished the year lower than initially planned because of stronger-than-expected sales in the fourth quarter, both of which are contributing to year-over-year growth in 2010. The Company is increasing inventory levels in 2010 to support sales growth, new store openings and new product launches. Changes in foreign currency exchange rates had an insignificant translation effect on the change in inventories, net compared to January 31, 2010 and July 31, 2009.

Investing Activities

The Company had a net cash outflow from investing activities of \$99,221,000 in the first half of 2010 compared with an outflow of \$27,487,000 in the first half of 2009. The increased outflow in the current year is primarily due to purchases of marketable securities and short-term investments and higher capital expenditures.

Financing Activities

The Company had a net cash outflow from financing activities of \$58,365,000 in the first half of 2010 compared with an inflow of \$6,494,000 in the first half of 2009. The variance between 2010 and 2009 was primarily due to a decrease in net proceeds received from borrowings and share repurchases.

Share Repurchases. The Company's share repurchase activity for the second quarter and first half of 2010 was as follows:

<i>(in thousands, except per share amounts)</i>	Second Quarter		First Half	
	2010	2009	2010	2009
Cost of repurchases	\$ 32,881	\$ —	\$ 47,138	\$ —
Shares repurchased and retired	799	—	1,118	—
Average cost per share	\$ 41.16	\$ —	\$ 42.15	\$ —

The Company suspended share repurchases during the third quarter of 2008 in order to conserve cash. In January 2010, the Company resumed repurchasing its shares of Common Stock on the open market. The Company's currently authorized stock repurchase program expires in January 2011. At least annually, the Company's Board of Directors reviews its policies with respect to dividends and share repurchases with a view to actual and projected earnings, cash flows and capital requirements. At July 31, 2010, there remained \$354,822,000 of authorization for future repurchases.

Recent Borrowings. The Company had net repayments of or net proceeds from short-term and long-term borrowings as follows:

<i>(in thousands)</i>	First Half	
	2010	2009
Proceeds from (repayment of) credit facility borrowings, net	\$ 17,775	\$ (113,291)
Short-term borrowings:		
Repayments of short-term borrowings	—	(93,000)
Long-term borrowings:		
Proceeds from issuance	—	300,000
Repayments	—	(40,000)
Net proceeds from long-term borrowings	—	260,000
Net proceeds from total borrowings	\$ 17,775	\$ 53,709

In addition, there was \$27,111,000 outstanding and \$372,889,000 available under the revolving Credit Facility at July 31, 2010. The weighted average interest rate at July 31, 2010 was 3.2%. The Credit Facility will expire in July 2012.

The ratio of total debt (short-term borrowings, current portion of long-term debt and long-term debt) to stockholders' equity was 40% at July 31, 2010, 40% at January 31, 2010 and 45% at July 31, 2009.

At July 31, 2010, the Company was in compliance with all debt covenants.

Purchase of Non-controlling Interests. In October 2009, the Company acquired all non-controlling interests in two majority-owned entities that indirectly engage through majority-owned subsidiaries in diamond sourcing and polishing operations in South Africa and Botswana, respectively, for total consideration of \$18,000,000, of which \$11,000,000 was paid in the third quarter of 2009 and the remaining \$7,000,000 was paid during the second quarter of 2010.

Contractual Obligations

In April 2010, Tiffany committed to a plan to consolidate its New York headquarters staff within one location in New York City from three separate locations currently leased in midtown Manhattan. The move is expected to occur in spring 2011 and will generate occupancy savings. Tiffany intends to sublease its existing properties through the end of their lease terms which run through 2015, but expects to recover only a portion of its rent obligations due to current market conditions. Accordingly, Tiffany anticipates recording expenses of approximately \$30,000,000 primarily within selling, general and administrative expenses in the consolidated statement of earnings in the fiscal year ending January 31, 2012; this expense is related to the fair value of the remaining non-cancelable lease obligations reduced by the estimated sublease rental income. Additionally, Tiffany will incur expenses of approximately \$18,000,000 in the fiscal year ending January 31, 2011 and \$5,000,000 in the fiscal year ending January 31, 2012 primarily related to the acceleration of the useful lives of certain property and equipment and incremental rents during the transition period. Changes in market conditions may affect the total expenses ultimately recorded. The expenses recorded during the three and six months ended July 31, 2010 were \$3,945,000 and \$4,805,000, respectively. Tiffany expects overall savings of approximately \$125,000,000 over the lease term as a result of an overall reduction in rent expense; these estimated savings are based on current rental costs and assumptions made regarding future potential rent increases at the existing locations. This new lease, which expires in 2026, will increase total minimum annual rental payments as disclosed in the January 31, 2010 Annual Report on Form 10-K by the following amounts:

<i>(in thousands)</i>	Total	2010	2011-2012	2013-2014	Thereafter
Unrecorded contractual obligations:					
Operating leases	\$ 224,525	\$ —	\$ 25,067	\$ 27,346	\$ 172,112

The Company's contractual cash obligations and commercial commitments at July 31, 2010 and the effects such obligations and commitments are expected to have on the Company's liquidity and cash flows in future periods have not changed significantly since January 31, 2010, except as noted above.

Seasonality

As a jeweler and specialty retailer, the Company's business is seasonal in nature, with the fourth quarter typically representing at least one-third of annual net sales and approximately one-half of annual net earnings. Management expects such seasonality to continue.

Forward-Looking Statements

This quarterly report on Form 10-Q contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 concerning the Company's goals, plans and projections with respect to store openings, sales, retail prices, gross margin, expenses, effective tax rate, net earnings and net earnings per share, inventories, capital expenditures, cash flow and liquidity. In addition, management makes other forward-looking statements from time to time concerning objectives and expectations. One can identify these forward-looking statements by the fact that they use words such as "believes," "intends," "plans," and "expects" and other words and terms of similar meaning and expression in connection with any discussion of future operating or financial performance. One can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Such forward-looking statements are based on management's current plan and involve inherent risks, uncertainties and assumptions that could cause actual outcomes to differ materially from the current plan. The Company has included important factors in the cautionary statements included in its 2009 Annual Report on Form 10-K and in this quarterly report, particularly under "Item 1A. Risk Factors," that the Company believes could cause actual results to differ materially from any forward-looking statement.

Although the Company believes it has been prudent in its plans and assumptions, no assurance can be given that any goal or plan set forth in forward-looking statements can or will be achieved, and readers are cautioned not to place undue reliance on such statements which speak only as of the date this quarterly report was first filed with the Securities and Exchange Commission. The Company undertakes no obligation to update any of the forward-looking information included in this document, whether as a result of new information, future events, changes in expectations or otherwise.

PART I. Financial Information
Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from fluctuations in foreign currency exchange rates, precious metal prices and interest rates, which could affect its consolidated financial position, earnings and cash flows. The Company manages its exposure to market risk through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company uses derivative financial instruments as risk management tools and not for trading or speculative purposes, and does not maintain such instruments that may expose the Company to significant market risk.

Foreign Currency Risk

The Company's Japanese subsidiary satisfies nearly all of its inventory requirements by purchasing merchandise, payable in U.S. dollars, from the Company's principal subsidiary. To minimize the potentially negative effect of a significant strengthening of the U.S. dollar against the Japanese yen, the Company purchases put option contracts as hedges of forecasted purchases of merchandise over a maximum term of 13 months. The fair value of put option contracts is sensitive to changes in yen exchange rates. If the market yen exchange rate at the time of the put option contract's expiration is stronger than the contracted exchange rate, the Company allows the put option contract to expire, limiting its loss to the cost of the put option contract.

The Company also uses foreign exchange forward contracts to offset the foreign currency exchange risks associated with foreign currency-denominated liabilities and intercompany transactions between entities with differing functional currencies. Gains or losses on these foreign exchange forward contracts substantially offset losses or gains on the liabilities and transactions being hedged. The term of all outstanding foreign exchange forward contracts as of July 31, 2010 ranged from one to 10 months.

Precious Metal Price Risk

The Company periodically hedges a portion of its forecasted purchases of precious metals for use in its internal manufacturing operations in order to minimize the effect of volatility in precious metals prices. The Company may use either a combination of call and put option contracts in net-zero-cost collar arrangements ("precious metal collars") or forward contracts. For precious metal collars, if the price of the precious metal at the time of the expiration of the precious metal collar is within the call and put price, the precious metal collar would expire at no cost to the Company. The maximum term over which the Company is hedging its exposure to the variability of future cash flows for all forecasted transactions is 13 months.

Interest Rate Risk

The Company uses interest rate swap agreements to effectively convert certain fixed rate debt obligations to floating rate obligations. Additionally, since the fair value of the Company's fixed rate long-term debt is sensitive to interest rate changes, the interest rate swap agreements serve as hedges to changes in the fair value of these debt instruments. The Company is hedging its exposure to changes in interest rates over the remaining maturities of the debt agreements being hedged.

PART I. Financial Information
Item 4. Controls and Procedures

Disclosure Controls and Procedures

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934), the Registrant's chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, the Registrant's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Registrant in the reports that it files or submits under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

In the ordinary course of business, the Registrant reviews its system of internal control over financial reporting and makes changes to its systems and processes to improve controls and increase efficiency, while ensuring that the Registrant maintains an effective internal control environment. Changes may include such activities as implementing new, more efficient systems and automating manual processes.

The Registrant's chief executive officer and chief financial officer have determined that there have been no changes in the Registrant's internal control over financial reporting during the period covered by this report identified in connection with the evaluation described above that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

The Registrant's management, including its chief executive officer and chief financial officer, necessarily applied their judgment in assessing the costs and benefits of such controls and procedures. By their nature, such controls and procedures cannot provide absolute certainty, but can provide reasonable assurance regarding management's control objectives. Our chief executive officer and our chief financial officer have concluded that the Registrant's disclosure controls and procedures are (i) designed to provide such reasonable assurance and (ii) are effective at that reasonable assurance level.

PART II. Other Information
Item 1A. Risk Factors

As is the case for any retailer, the Registrant's success in achieving its objectives and expectations is dependent upon general economic conditions, competitive conditions and consumer attitudes. However, certain factors are specific to the Registrant and/or the markets in which it operates. The following "risk factors" are specific to the Registrant; these risk factors affect the likelihood that the Registrant will achieve the financial objectives and expectations communicated by management:

(i) Risk: that a continuation or worsening of challenging global economic conditions and related low levels of consumer confidence over a prolonged period of time could adversely affect the Registrant's sales.

As a retailer of goods which are discretionary purchases, the Registrant's sales results are particularly sensitive to changes in economic conditions and consumer confidence. Consumer confidence is affected by general business conditions; changes in the market value of securities and real estate; inflation; interest rates and the availability of consumer credit; tax rates; and expectations of future economic conditions and employment prospects.

Consumer spending for discretionary goods generally declines during times of falling consumer confidence, which negatively affects the Registrant's earnings because of its cost base and inventory investment.

Many of the Registrant's competitors may continue to react to falling consumer confidence by reducing their retail prices; such reductions and/or inventory liquidations can have a short-term adverse effect on the Registrant's sales.

In addition, some observers believe that the short-term attractiveness of "luxury" goods may have waned in certain markets, such as Japan, thus reducing demand. This could adversely affect the Registrant's sales, retail pricing and margins.

The Registrant has invested in and operates more than 20 stores in the Hong Kong, Macau and mainland China markets and anticipates significant further expansion. Some observers believe that the high levels of Chinese economic growth may be unsustainable. Should the Chinese economy experience an economic slowdown, the sales and profitability of its stores in this region could be affected.

Uncertainty surrounding the current global economic environment makes it more difficult for the Registrant to forecast operating results. The Registrant's forecasts employ the use of estimates and assumptions. Actual results could differ from forecasts, and those differences could be material.

(ii) Risk: that sales will decline or remain flat in the Registrant's fourth fiscal quarter, which includes the Holiday selling season.

The Registrant's business is seasonal in nature, with the fourth quarter typically representing at least one-third of annual net sales and approximately one-half of annual net earnings. Poor sales results during the Registrant's fourth quarter will have a material adverse effect on the Registrant's sales and profits.

(iii) Risk: that regional instability and conflict will disrupt tourist travel and local consumer spending.

Unsettled regional and global conflicts or crises which result in military, terrorist or other conditions creating disruptions or disincentives to, or changes in the pattern, practice or frequency of tourist travel to the various regions and local consumer spending where the Registrant operates retail stores could adversely affect the Registrant's sales and profits.

(iv) Risk: that changes in foreign currencies may affect, positively or negatively, the Company's sales, profit margins and operating expenses.

The Registrant operates retail stores and boutiques in various countries outside of the U.S. and, as a result, is exposed to market risk from fluctuations in foreign currency exchange rates. In 2009, the Registrant's sales in countries outside of the U.S. represented approximately half of its net sales, of which Japan represented 19% of net sales. A substantial weakening of foreign currencies against the U.S. dollar would require the Registrant to raise its

retail prices or reduce its profit margins in various locations outside of the U.S. Consumers in those markets may not accept significant price increases on the Registrant's goods; thus, there is a risk that a substantial weakening of foreign currencies will result in reduced sales or profit margins. Conversely, a substantial strengthening of foreign currencies against the U.S. dollar will result in increased sales and profit margins.

The results of the operations of Registrant's international subsidiaries are exposed to foreign exchange rate fluctuations as the financial results of the applicable subsidiaries are translated from the local currency into U.S. dollars upon consolidation. If the U.S. dollar weakens against foreign currencies, the translation of these foreign currency denominated transactions will increase net sales and operating expenses. Similarly, if the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency denominated transactions will decrease net sales and operating expenses.

In addition, a weakening in foreign currency exchange rates may create disincentives to, or changes in the pattern, practice or frequency of tourist travel to the various regions where the Registrant operates retail stores which could adversely affect the Registrant's net sales and profits.

(v) Risk: that the current volatile global economy may have a material adverse effect on the Registrant's liquidity and capital resources.

The global economy and the credit and equity markets have undergone significant disruption in the past two years. A prolonged weakness in the economy, extending further than those included in management's projections, could have an effect on the Registrant's cost of borrowing, could diminish its ability to service or maintain existing financing and could make it more difficult for the Registrant to obtain additional financing or to refinance existing long-term obligations. In addition, increased disruption in the markets could lead to the failure of financial institutions. If any of the banks participating in the Registrant's revolving credit facility were to declare bankruptcy, the Registrant would no longer have access to those committed funds.

Any significant deterioration in the stock market could negatively affect the valuation of pension plan assets and result in increased minimum funding requirements.

(vi) Risk: that the Registrant will be unable to continue to offer merchandise designed by Elsa Peretti.

The Registrant's long-standing right to sell the jewelry designs of Elsa Peretti and use her trademarks is responsible for a substantial portion of the Registrant's revenues. Merchandise designed by Ms. Peretti accounted for 10% of 2009 net sales. Tiffany has an exclusive license arrangement with Ms. Peretti; this arrangement is subject to royalty payments as well as other requirements. This license may be terminated by Tiffany or Ms. Peretti on six months notice, even in the case where no default has occurred. Also, no agreement has been made for the continued sale of the designs or use of the trademarks ELSA PERETTI following the death or disability of Ms. Peretti, who is now 70 years of age. Loss of this license would materially adversely affect the Registrant's business through lost sales and profits.

(vii) Risk: that changes in prices of diamonds and precious metals or reduced supply availability might adversely affect the Registrant's ability to produce and sell products at desired profit margins.

Most of the Registrant's jewelry and non-jewelry offerings are made with diamonds, gemstones and/or precious metals. Acquiring diamonds for the engagement business has, at times, been difficult because of supply limitations; Tiffany may not be able to maintain a comprehensive selection of diamonds in each retail location due to the broad assortment of sizes, colors, clarity grades and cuts demanded by customers. A significant change in the prices or supply of these commodities could adversely affect the Registrant's business, which is vulnerable to the risks inherent in the trade for such commodities. A substantial increase or decrease in the price or supply of raw materials and/or high-quality rough and polished diamonds within the quality grades, colors and sizes that customers demand could affect, negatively or positively, customer demand, sales and gross profit margins.

If trade relationships between the Registrant and one or more of its significant vendors were disrupted, the Registrant's sales could be adversely affected in the short-term until alternative supply arrangements could be established.

(viii) Risk: that the value of the TIFFANY & CO. trademark will decline due to the sale of counterfeit merchandise by infringers.

The TIFFANY & CO. trademark is an asset which is essential to the competitiveness and success of the Registrant's business and the Registrant takes appropriate action to protect it. Tiffany actively pursues those who produce or sell counterfeit TIFFANY & CO. goods through civil action and cooperation with criminal law enforcement agencies. However, the Registrant's enforcement actions have not stopped the imitation and counterfeit of the Registrant's merchandise or the infringement of the trademark, and counterfeit TIFFANY & CO. goods remain available in many markets. In recent years, there has been an increase in the availability of counterfeit goods, predominantly silver jewelry, in various markets by street vendors and small retailers, as well as on the Internet. The continued sale of counterfeit merchandise could have an adverse effect on the TIFFANY & CO. brand by undermining Tiffany's reputation for quality goods and making such goods appear less desirable to consumers of luxury goods. Damage to the brand would result in lost sales and profits.

(ix) Risk: that the Registrant will be unable to lease sufficient space for its retail stores in prime locations.

The Registrant, positioned as a luxury goods retailer, has established its retail presence in choice store locations. If the Registrant cannot secure and retain locations on suitable terms in prime and desired luxury shopping locations, its expansion plans, sales and profits will be jeopardized.

In Japan, many of the retail locations are located in department stores. TIFFANY & CO. boutiques located in department stores in Japan represented 79% of net sales in Japan and 15% of consolidated net sales in 2009. In recent years, the Japanese department store industry has, in general, suffered declining sales and there is a risk that such financial difficulties will force further consolidations or store closings. Should one or more Japanese department store operators elect or be required to close one or more stores now housing a TIFFANY & CO. boutique, the Registrant's sales and profits would be reduced while alternative premises were being obtained. The Registrant's commercial relationships with department stores in Japan, and their abilities to continue as leading department store operators, have been and will continue to be substantial factors affecting the Registrant's business in Japan.

(x) Risk: that the Registrant's business is dependent upon the distinctive appeal of the TIFFANY & CO. brand.

The TIFFANY & CO. brand's association with quality, luxury and exclusivity is integral to the success of the Registrant's business. The Registrant's expansion plans for retail and direct selling operations and merchandise development, production and management support the brand's appeal. Consequently, poor maintenance, promotion and positioning of the TIFFANY & CO. brand, as well as market over-saturation, may adversely affect the business by diminishing the distinctive appeal of the TIFFANY & CO. brand and tarnishing its image. This would result in lower sales and profits.

PART II. Other Information
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table contains the Company's stock repurchases of equity securities in the second quarter of 2010:

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares, (or Units) that May Yet Be Purchased Under the Plans or Programs
May 1, 2010 to May 31, 2010	107,300	\$ 45.74	107,300	\$ 382,795,000
June 1, 2010 to June 30, 2010	229,900	\$ 43.32	229,900	\$ 372,836,000
July 1, 2010 to July 31, 2010	461,700	\$ 39.01	461,700	\$ 354,822,000
TOTAL	798,900	\$ 41.16	798,900	\$ 354,822,000

In March 2005, the Company's Board of Directors approved a stock repurchase program ("2005 Program") that authorized the repurchase of up to \$400,000,000 of the Company's Common Stock through March 2007 by means of open market or private transactions. In August 2006, the Company's Board of Directors extended the expiration date of the Company's 2005 Program to December 2009, and authorized the repurchase of up to an additional \$700,000,000 of the Company's Common Stock. In January 2008, the Company's Board of Directors extended the expiration date of the 2005 Program to January 2011 and authorized the repurchase of up to an additional \$500,000,000 of the Company's Common Stock.

Item 6 Exhibits

(a) Exhibits:

[10.161](#) [Form of Note Purchase Agreement dated as of September 1, 2010 by and between Registrant and various institutional note purchasers with respect to the Registrant's yen 10,000,000,000 principal amount 1.72% Series Notes due September 1, 2016.](#)

[10.162](#) [Guaranty Agreement dated September 1, 2010 with respect to the Note Purchase Agreement \(see Exhibit 10.161 above\) by Tiffany and Company, Tiffany & Co. International and Tiffany & Co. Japan Inc.](#)

[31.1](#) [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

[31.2](#) [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

[32.1](#) [Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

[32.2](#) [Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101 The following financial information from Tiffany & Co.'s Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2010, furnished with the SEC, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Earnings; (iii) the Consolidated Statements of Stockholders' Equity and Comprehensive Earnings; (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to the Consolidated Financial Statements, tagged as blocks of text.

SIGNATURES

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

TIFFANY & CO.
(Registrant)

Date September 1, 2010

By: /s/ James N. Fernandez
James N. Fernandez
Executive Vice President and
Chief Financial Officer
(principal financial officer)

EXECUTION COPY

TIFFANY & CO.

NOTE PURCHASE AGREEMENT

Dated as of September 1, 2010

¥10,000,000,000 Principal Amount of 1.72% Senior Notes Due September 1, 2016

**Guaranteed by
Tiffany and Company
Tiffany & Co. International
Tiffany & Co. Japan Inc.**

A/73421357.6

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TIFFANY & CO.

727 Fifth Avenue

New York, New York 10022

¥10,000,000,000 1.72% Senior Notes due September 1, 2016

Dated as of September 1, 2010

Separately addressed to each of the Purchasers listed on the attached Schedule A

Ladies and Gentlemen:

TIFFANY & CO., a Delaware corporation (together with its successors and assigns, the "**Company**"), agrees with each Purchaser as follows:

1. AUTHORIZATION OF NOTES.

The Company will authorize the issue of its senior promissory notes (the "**Notes**") in the aggregate principal amount of ¥10,000,000,000, to be dated the date of issue thereof, to mature September 1, 2016, to bear interest on the unpaid balance thereof from the date thereof until the principal thereof shall have become due and payable at the rate of 1.72% per annum, and on overdue principal, Make-Whole Amount, Swap Reimbursement Amount and interest at the rate specified therein, and to be substantially in the form of Exhibit A attached hereto. The terms "**Note**" and "**Notes**" as used herein shall include each Note delivered pursuant to any provision of this Agreement and each Note delivered in substitution or exchange for any such Note pursuant to any such provision.

Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "**Schedule**" or an "**Exhibit**" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement; and references to a "**Section**" are, unless otherwise specified, references to a Section of this Agreement.

2. SALE AND PURCHASE OF NOTES.

(a) Subject to the terms and conditions of this Agreement, the Company will issue and sell to the Purchasers and the Purchasers will purchase from the Company, at the Closing Day provided for in Section 3(a), Notes in the principal amounts specified below its name in Schedule A at the purchase price of 100% of the principal amount thereof. The obligations of the Purchasers are several and not joint obligations and no Purchaser shall have any obligation under this Agreement or any liability to any Person for the performance or non-performance by any other Purchaser hereunder. The Company may, but will not be obligated, to issue and sell any of the Notes unless the Purchasers purchase an aggregate of ¥10,000,000,000 of Notes.

(b) The Company will pay to each Purchaser in immediately available funds a fee on the Closing Day in an amount equal to 0.10% of the aggregate principal amount of Notes sold to such Purchaser on the Closing Day.

3. CLOSING.

The sale and purchase of the Notes to be purchased by the Purchasers shall occur at the offices of Bingham McCutchen LLP, 339 Park Avenue, New York, New York 10022-4689, at 10:00 a.m., local time, at a closing ((the “*Closing*”; the date of such closing herein referred to as the “*Closing Day*”) on September 1, 2010, or on such other Business Day thereafter as may be agreed upon by the Company and the Purchasers. At the Closing, the Company will deliver to each Purchaser the Notes to be purchased by such Purchaser in the form of a single Note (or such greater number of Notes in denominations of at least ¥50,000,000 as such Purchaser may request), dated the Closing Day and registered in the name of such Purchaser (or in the name of its nominee), as indicated in Schedule A, against payment by federal funds wire transfer in immediately available funds of the amount of the purchase price therefor as directed by the Company in Schedule 3. If, at the Closing, the Company shall fail to tender such Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser’s satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights it may have by reason of such failure or such nonfulfillment.

4. CONDITIONS TO CLOSING.

The obligation of each Purchaser to purchase and pay for the Notes to be sold to such Purchaser on the Closing Day is subject to the fulfillment to its satisfaction, prior to or the Closing Day, of the following conditions:

4.1. Representations and Warranties.

The representations and warranties of the Company in this Agreement shall be correct when made and as of the Closing Day.

4.2. Performance; No Default.

The Company and each of the Guarantors shall have performed and complied with all agreements and conditions contained in the Financing Documents required to be performed or complied with by the Company or such Guarantor prior to or on the Closing Day, and, after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by this Agreement), no Default or Event of Default shall have occurred and be continuing.

4.3. Compliance Certificates.

(a) *Officer’s Certificate.* The Company shall have delivered to each Purchaser an Officer’s Certificate, dated the Closing Day, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) *Company Secretary’s Certificate.* The Company shall have delivered to each Purchaser a certificate, signed on its behalf by its Secretary or one of its Assistant Secretaries, dated the Closing Day, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the applicable Notes and this Agreement.

(c) **Guarantor Secretary's Certificates.** Each of the Guarantors shall have delivered to each Purchaser a certificate, signed on its behalf by its Secretary or one of its Assistant Secretaries, dated the Closing Day, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Guaranty Agreement.

4.4. Opinions of Counsel.

Each Purchaser shall have received opinions in form and substance reasonably satisfactory to such Purchaser, dated the Closing Day, from

(a) Gibson, Dunn & Crutcher LLP, counsel for the Company and the Guarantors, substantially in the form set out in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby instructs such counsel to deliver such opinion to such Purchaser), and

(b) Karen L. Sharp, Vice President - Legal of the Company and counsel to the Guarantors, substantially in the form set out in Exhibit 4.4(b) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby instructs such counsel to deliver such opinion to such Purchaser), and

(c) Bingham McCutchen LLP, special counsel to the Purchasers, substantially in the form set out in Exhibit 4.4(c) and covering such other matters incident to the transactions contemplated hereby as such Purchaser may reasonably request.

4.5. Purchase Permitted By Applicable Law, etc.

On the Closing Day, each Purchaser's purchase of the Notes on the Closing Day shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation. If requested by any Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

4.6. Guaranty Agreement.

Each Purchaser shall have received a counterpart of the Guaranty Agreement, duly executed and delivered by each of the Guarantors, substantially in the form of Exhibit 4.6 (as amended or supplemented from time to time, the "**Guaranty Agreement**"), and the Guaranty Agreement shall be in full force and effect.

4.7. Payment of Fees.

The Company shall have paid to each Purchaser the fees due pursuant to Section 2(b). Without limiting the provisions of Section 15.1, the Company shall also have paid on or before the Closing Day the reasonable fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4(c) to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing Day.

4.8. Private Placement Numbers.

A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for the Notes issued on the Closing Day.

4.9. Changes in Corporate Structure.

Except as specified in Schedule 4.9 or permitted pursuant to this Agreement, the Company shall not have changed its jurisdiction of incorporation or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

4.10. Proceedings and Documents.

All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to each Purchaser and its special counsel, and each Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or its special counsel may reasonably request.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser that:

5.1. Organization; Power and Authority.

Each Obligor is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each Obligor has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver the Financing Documents to which it is a party and to perform the provisions thereof.

5.2. Authorization, etc.

The Financing Documents have been duly authorized by all necessary corporate action on the part of the Company and each of the Guarantors, and this Agreement constitutes, and upon execution and delivery thereof each Note and the Guaranty Agreement will constitute, a legal, valid and binding obligation of each Obligor party thereto, enforceable against each such Obligor in accordance with its terms, except as may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5.3. Disclosure.

The Company's Annual Report to Stockholders for the Fiscal Year ended January 31, 2010, Annual Report on Form 10-K for the Fiscal Year ended January 31, 2010 and the Company's Proxy Statement dated April 9, 2010, Quarterly Reports on Form 10-Q for the fiscal quarter ended April 30, 2010 and Current Report on Form 8-K dated April 29, 2010, May 20, 2010, May 24, 2010 and May 27, 2010, together with the documents, certificates or other writings delivered to the Purchasers by or on behalf of the Company in connection with the transactions contemplated by the Financing Documents and the financial statements listed in Schedule 5.5 (collectively referred to as the "**Disclosure Documents**"), taken as a whole, fairly describe, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries as of the Closing Day. The Financing Documents and the Disclosure Documents, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein or therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Disclosure Documents or as expressly disclosed in Schedule 5.3, since the end of the Company's most recent fiscal year, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents, as supplemented or amended, delivered or to be delivered to each Purchaser.

5.4. Organization and Ownership of Shares of Subsidiaries; Affiliates.

(a) Schedule 5.4 contains (except as noted therein) complete and correct lists of (i) the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its Capital Stock outstanding owned by the Company and each other Subsidiary and (ii) the Company's Affiliates, other than Subsidiaries.

(b) All of the outstanding shares of Capital Stock of each Subsidiary shown in Schedule 5.4 as being owned by the Company or its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver the Financing Documents to which it is a party and to perform its obligations thereunder.

(d) No Subsidiary is a party to, or otherwise subject to any legal restriction or any agreement (other than the agreements listed in Schedule 5.4 and customary limitations imposed by corporate law statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of Capital Stock of such Subsidiary.

5.5. Financial Statements.

The Company has delivered to each Purchaser copies of the consolidated financial statements of the Company and its Subsidiaries listed in Schedule 5.5. All of said consolidated financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

5.6. Compliance with Laws, Other Instruments, etc.

The execution, delivery and performance (i) by the Company of this Agreement and the Notes, and (ii) by each of the Guarantors of the Guaranty Agreement, will not:

(a) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected,

(b) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary, or

(c) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

5.7. Governmental Authorizations, etc.

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required to be obtained by the Company or any of the Guarantors in connection with the execution, delivery or performance (a) by the Company of this Agreement or the Notes, or (b) by each of the Guarantors of the Guaranty Agreement.

5.8. Litigation; Observance of Agreements, Statutes and Orders.

(a) There are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including, without limitation, Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.9. Taxes.

The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (a) the amount of which is not individually or in the aggregate Material or (b) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate. As of the Closing Day, the Federal income tax liabilities of the Company and its Subsidiaries subject to United States income taxes have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended January 31, 2007.

5.10. Title to Property; Leases.

The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

5.11. Licenses, Permits, etc.

(a) The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others;

(b) to the best knowledge of the Company, no product or practice of the Company or any Subsidiary infringes in any material respect any license, permit, franchise, authorization, patent, copyright, service mark, trademark, trade name or other right owned by any other Person; and

(c) to the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries.

5.12. Compliance with ERISA.

(a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year for which audited financial statements are available on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, and the aggregate current value of the assets of such Plan allocable to such benefit liabilities, are set forth in Note O to the Company's audited financial statements included in the Company's Annual Report on Form 10-K for the most recently completed fiscal year. The term "*benefit liabilities*" has the meaning specified in section 4001 of ERISA and the terms "*current value*" and "*present value*" have the meaning specified in section 3 of ERISA.

(c) The Company and the ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) Note P to the Company's audited financial statements included in the Company's Annual Report on Form 10-K for the most recently completed fiscal year sets forth the expected postretirement benefit obligations of the Company and its Subsidiaries determined as of the last day of the Company's most recently ended fiscal year for which audited financial statements are available in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code.

(e) The execution and delivery of the Financing Documents and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of each Purchaser's representation in Section 6.2 as to the Sources used to pay the purchase price of the Notes to be purchased by such Purchaser.

(f) Schedule 5.12 sets forth all ERISA Affiliates and all "employee benefit plans" maintained by the Company (or any "affiliate" thereof) or in respect of which the Notes could constitute an "employer security" ("**employee benefit plan**" has the meaning specified in section 3 of ERISA, "**affiliate**" has the meaning specified in section 407(d) of ERISA and section V of the Department of Labor Prohibited Transaction Exemption 95-60 (60 FR 35925, July 12, 1995) and "**employer security**" has the meaning specified in section 407(d) of ERISA).

(g) All Foreign Pension Plans have been established, operated, administered and maintained in compliance with all laws, regulations and orders applicable thereto except for such failures to comply, in the aggregate for all such failures, that could not reasonably be expected to have a Material Adverse Effect. All premiums, contributions and any other amounts required by applicable Foreign Pension Plan documents or applicable laws have been paid or accrued as required, except for premiums, contributions and amounts that, in the aggregate for all such obligations, could not reasonably be expected to have a Material Adverse Effect.

5.13. Private Offering by the Company.

Neither the Company nor anyone acting on its behalf has offered the Notes for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of section 5 of the Securities Act. For purposes of this Section 5.13 only, each reference to the Notes shall be deemed to include a reference to the Guaranty Agreement.

5.14. Use of Proceeds; Margin Regulations.

The Company will apply the proceeds of the sale of the Notes to refinance existing indebtedness and for general corporate purposes. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 25% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 25% of the value of such assets. As used in this Section, the terms “*margin stock*” and “*purpose of buying or carrying*” shall have the meanings assigned to them in said Regulation U.

5.15. Existing Indebtedness; Future Liens.

(a) Except as described therein, Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of the dates specified in such Schedule (and specifying, as to each item of such Indebtedness, the collateral, if any, securing such Indebtedness), since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company or its Subsidiaries. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.4.

5.16. Foreign Assets Control Regulations, etc.

(a) Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(b) Neither the Company nor any of its Subsidiaries has violated the provisions of United States Executive Order 13224 of September 24, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (Exec. Order No. 13,224, 66 Fed. Reg. 49,079 (2001)) (the “*Anti-Terrorism Order*”) or the provisions of Public Law 107-56 (USA Patriot Act).

5.17. Status under Certain Statutes.

Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 2005, as amended, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

5.18. Environmental Matters.

Neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect. Except as otherwise disclosed to each Purchaser in writing,

(a) neither the Company nor any Subsidiary has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect;

(b) neither the Company nor any of its Subsidiaries has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them or disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect; and

(c) all buildings on all real properties now owned, leased or operated by the Company or any of its Subsidiaries are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

6. REPRESENTATIONS OF THE PURCHASERS.

Each Purchaser represents as follows:

6.1. Purchase for Investment.

Each Purchaser severally represents that it is purchasing the Notes for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, *provided* that the disposition of such Purchaser's property or their property shall at all times be within such Purchaser's or their control. Such Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

6.2. Source of Funds.

Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a "*Source*") to be used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder:

(a) the Source is an "insurance company general account" as defined in United States Department of Labor Prohibited Transaction Exemption ("*PTE*") 95-60 (60 FR 35925, July 12, 1995) and in respect thereof such Purchaser represents that there is no "employee benefit plan" (as defined in section 3(3) of ERISA and section 4975(e)(1) of the Code, treating as a single plan all plans maintained by the same employer or employee organization or affiliate thereof) with respect to which the amount of the general account reserves and liabilities of all contracts held by or on behalf of such plan exceeds 10% of the total reserves and liabilities of such general account (exclusive of separate account liabilities) *plus* surplus, as set forth in the National Association of Insurance Commissioners' Annual Statement filed with such Purchaser's state of domicile; or

(b) if any Purchaser is an insurance company, the Source does not include assets allocated to any separate account maintained by such Purchaser in which any employee benefit plan (or its related trust) has any interest, other than a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to such plan and to any participant or beneficiary of such plan (including any annuitant) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 (issued July 12, 1991) and, except as such Purchaser has disclosed to the Company in writing pursuant to this paragraph (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an “investment fund” (within the meaning of part V of PTE 84-14 (the “**QPAM Exemption**”)) managed by a “qualified professional asset manager” or “QPAM” (within the meaning of part V of the QPAM Exemption), no employee benefit plan’s assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of “control” in section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and

(i) the identity of such QPAM and

(ii) the names of all employee benefit plans whose assets are included in such investment fund

have been disclosed to the Company in writing pursuant to this paragraph (d); or

(e) the Source is a governmental plan; or

(f) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (f); or

(g) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms “*employee benefit plan*”, “*governmental plan*” and “*separate account*” shall have the respective meanings assigned to such terms in section 3 of ERISA.

7. INFORMATION AS TO COMPANY.

7.1. Financial and Business Information.

The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements -- within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of earnings, stockholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified on behalf of the Company by a Senior Financial Officer as fairly presenting, in all material respects, the consolidated financial position of the companies being reported on and their consolidated results of operations and cash flows, subject to changes resulting from year-end adjustments, *provided* that posting on its official website or delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q (including copies of each exhibit filed therewith) prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(a) so long as such Report includes each of the financial statements (and the comparative historical figures) referred to above, *provided, however*, that any such report or document as contemplated by this Section 7.1(a) which has been posted to the Company's official website with general access rights for the public shall be deemed to have been delivered to the holders of Notes as contemplated by this Section 7.1(a) so long as the Company has provided each holder of Notes prior notice, by electronic mail to the electronic address provided by such holder of Notes, of such posting;

(b) Annual Statements -- within 120 days after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated statements of earnings, stockholders' equity and cash flows of the Company and its Subsidiaries, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by

(A) an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the consolidated financial position of the companies being reported upon and their consolidated results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and

(B) a certificate of such accountants stating that they have reviewed this Agreement and stating further whether, in making their audit, they have become aware of any condition or event that then constitutes a Default or an Event of Default, and, if they are aware that any such condition or event then exists, specifying the nature and period of the existence thereof (it being understood that such accountants shall not be liable, directly or indirectly, for any failure to obtain knowledge of any Default or Event of Default unless such accountants should have obtained knowledge thereof in making an audit in accordance with generally accepted auditing standards or did not make such an audit),

provided that posting on its official website or delivery within the time period specified above of the Company's Annual Report on Form 10-K (including copies of each exhibit filed therewith) for such fiscal year prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission, together with the accountant's certificate described in clause (B) above, shall be deemed to satisfy the requirements of this Section 7.1(b), so long as such Report includes each of the financial statements (and the comparative historical figures) referred to above, *provided, however*, that any such report or document as contemplated by this Section 7.1(b) which has been posted to the Company's official website with general access rights for the public shall be deemed to have been delivered to the holders of Notes as contemplated by this Section 7.1(b) so long as the Company has provided each holder of Notes prior notice, by electronic mail to the electronic address provided by such holder of Notes, of such posting;

(c) SEC and Other Reports -- promptly upon their becoming available, one copy of (i) each financial statement, annual report (including, without limitation, the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act), notice or proxy statement sent by the Company or any Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission and of all press releases and other statements made available generally by the Company or any Subsidiary to the public concerning developments that are Material, provided that posting on its official website of any such report or document shall be deemed to satisfy the requirements of this Section 7.1(c), *provided, however*, that any such report or document as contemplated by this Section 7.1(c) which has been posted to the Company's official website with general access rights for the public shall be deemed to have been delivered to the holders of Notes as contemplated by this Section 7.1(c) so long as the Company has provided each holder of Notes prior notice, by electronic mail to the electronic address provided by such holder of Notes, of such posting;

(d) Notice of Default or Event of Default -- promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA Matters -- promptly, and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(c) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the Closing Day; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(f) Notices from Governmental Authority -- promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect; and

(g) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Obligors to perform their obligations under the Financing Documents as from time to time may be reasonably requested by any such holder of Notes, or such information regarding the Company required to satisfy the requirements of 17 C.F.R. §230.144A, as amended from time to time, in connection with any contemplated transfer of the Notes.

7.2. Officer's Certificate.

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) hereof shall be accompanied by an Officer's Certificate signed by a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Sections 10.3 through 10.6, inclusive, and each Incorporated Provision during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) Event of Default -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review has not disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

7.3. Inspection.

The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company and any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

8. PAYMENT OF THE NOTES.

8.1. Required Principal Prepayments; Payment at Maturity.

There are no required prepayments of principal in respect of the Notes. The entire principal amount of the Notes outstanding on September 1, 2016, together with all accrued and unpaid interest thereon, shall be due and payable on such date.

8.2. Optional Prepayments with Make-Whole Amount.

The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes (but if in part, in integral multiples of ¥50,000,000 and in an amount not less than ¥500,000,000 or such lesser amount as shall then be outstanding), at 100% of the principal amount so prepaid, together with accrued unpaid interest on such amount, *plus* the Make-Whole Amount determined for the prepayment date with respect to such principal amount plus any applicable Swap Reimbursement Amount. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such prepayment date (which shall be a Business Day), the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.3), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by an Officer's Certificate signed by a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes to be prepaid an Officer's Certificate signed by a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

8.3. Allocation of Partial Prepayments.

In the case of each partial optional prepayment of any Notes, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

8.4. Maturity; Surrender, etc.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount if any, and Swap Reimbursement Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount if any, and Swap Reimbursement Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

8.5. No Other Optional Prepayments or Purchase of Notes.

The Company will not, and will not permit any Affiliate to, prepay (whether directly or indirectly by purchase, redemption or other acquisition) any of the outstanding Notes except upon the payment or prepayment of the Notes in accordance with the terms of this Section 8. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Section 8 and no Notes may be issued in substitution or exchange for any such Notes.

8.6. Make-Whole Amount; Swap Reimbursement.

(a) Make-Whole Amount with respect to Non-Swapped Notes

The term “**Make-Whole Amount**” means, with respect to any Non-Swapped Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Non-Swapped Note over the amount of such Called Principal, provided that such Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount with respect to any Non-Swapped Note, the following terms have the following meanings:

“**Called Principal**” means the principal of such Non-Swapped Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

“**Discounted Value**” means, with respect to the Called Principal of such Non-Swapped Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Non-Swapped Note is payable) equal to the Reinvestment Yield with respect to such Called Principal.

“**Non-Swapped Note**” means any Note other than a Swapped Note.

“**Recognized Yen Market Maker**” means any financial institution that makes regular markets in Japanese Government Bonds and Japanese Government Bond-based securities and financial products, as shall be agreed between the Required Holders and the Guarantor or, following the occurrence and continuance of an Event of Default, as reasonably determined by the Required Holders.

“Reinvestment Yield” means, with respect to the Called Principal of such Non-Swapped Note, the sum of 0.50% per annum plus the yield to maturity implied by (i) the yields reported as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the displays designated as Bloomberg Financial Markets News Screen BTMM-JN (or such other display as may replace such Bloomberg Financial Markets News Screen) for the most recently issued actively traded Japanese Government Bonds having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the average of the yields for such securities as determined by two Recognized Yen Market Makers.

In the case of each determination under clause (i) or (ii), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (a) converting Japanese Government Bond quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded Japanese Government Bonds with the maturity closest to and greater than such Remaining Average Life and (2) the applicable actively traded Japanese Government Bonds with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of such Non-Swapped Note.

“Remaining Average Life” means, with respect to any Called Principal of such Non-Swapped Note, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

“Remaining Scheduled Payments” means, with respect to the Called Principal of such Non-Swapped Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which an interest payment is due to be made under the terms of such Non-Swapped Note, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or Section 12.1.

“Settlement Date” means, with respect to the Called Principal of such Non-Swapped Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

(b) Make-Whole Amount with respect to Swapped Notes

The term **“Make-Whole Amount”** means, with respect to any Swapped Note, an amount equal to the excess, if any, of the Swapped Note Discounted Value with respect to the Swapped Note Called Notional Amount related to such Swapped Note over such Swapped Note Called Notional Amount, provided the Make-Whole Amount may in no event be less than zero. All payments of Make-Whole Amount in respect of any Swapped Note shall be made in U.S. Dollars. For the purposes of determining the Make-Whole Amount with respect to any Swapped Note, the following terms have the following meanings:

“New Swap Agreement” means any cross-currency swap agreement pursuant to which the holder of a Swapped Note is to receive payment in U.S. Dollars and which is entered into in full or partial replacement of an Original Swap Agreement as a result of such Original Swap Agreement having terminated for any reason other than a non-scheduled prepayment or a repayment of such Swapped Note prior to its scheduled maturity. The terms of a New Swap Agreement with respect to any Swapped Note do not have to be identical to those of the Original Swap Agreement with respect to such Swapped Note.

“Original Swap Agreement” means, with respect to any Swapped Note, (x) a cross-currency swap agreement and annexes and schedules thereto (an **“Initial Swap Agreement”**) that is entered into on an arm’s length basis by the original purchaser of such Swapped Note (or any affiliate thereof) in connection with the execution of this Agreement and the purchase of such Swapped Note and relates to the scheduled payments by the Company of interest and principal on such Swapped Note, under which the holder of such Swapped Note is to receive payments from the counterparty thereunder in U.S. Dollars and which is more particularly described on Schedule 8.6 hereto, (y) any Initial Swap Agreement that has been assumed (without any waiver, amendment, deletion or replacement of any material economic term or provision thereof) by a holder of a Swapped Note in connection with a transfer of such Swapped Note and (z) any Replacement Swap Agreement; and a **“Replacement Swap Agreement”** means, with respect to any Swapped Note, a cross-currency swap agreement and annexes and schedules thereto with payment terms and provisions (other than a reduction in notional amount, if applicable) identical to those of the Initial Swap Agreement with respect to such Swapped Note that is entered into on an arm’s length basis by the holder of such Swapped Note in full or partial replacement (by amendment, modification or otherwise) of such Initial Swap Agreement (or any subsequent Replacement Swap Agreement) in a notional amount not exceeding the outstanding principal amount of such Swapped Note following a non-scheduled prepayment or a repayment of such Swapped Note prior to its scheduled maturity. Any holder of a Swapped Note that enters into, assumes or terminates an Initial Swap Agreement or Replacement Swap Agreement shall within a reasonable period of time thereafter deliver to the Company a copy of the confirmation, assumption or termination related thereto.

“Swap Agreement” means, with respect to any Swapped Note, an Original Swap Agreement or a New Swap Agreement, as the case may be.

“Swapped Note” means any Note that as of the date of the Closing is subject to a Swap Agreement. A “Swapped Note” shall no longer be deemed a “Swapped Note” at such time as the related Swap Agreement ceases to be in force in respect thereof.

“Swapped Note Applicable Percentage” means 0.50%.

“Swapped Note Called Notional Amount” means, with respect to any Swapped Note Called Principal of any Swapped Note, the payment in U.S. Dollars due to the holder of such Swapped Note under the terms of the Swap Agreement to which such holder is a party, attributable to and in exchange for such Swapped Note Called Principal and assuming that such Swapped Note Called Principal is paid on its scheduled maturity date, provided that if such Swap Agreement is not an Initial Swap Agreement, then the “Swapped Note Called Notional Amount” in respect of such Swapped Note shall not exceed the amount in U.S. Dollars which would have been due to the holder of such Swapped Note under the terms of the Initial Swap Agreement to which such holder was a party (or if such holder was never party to an Initial Swap Agreement, then the last Initial Swap Agreement to which the most recent predecessor in interest to such holder as a holder of such Swapped Note was a party), attributable to and in exchange for such Swapped Note Called Principal and assuming that such Swapped Note Called Principal is paid on its scheduled maturity date.

“Swapped Note Called Principal” means, with respect to any Swapped Note, the principal of such Swapped Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

“Swapped Note Discounted Value” means, with respect to the Swapped Note Called Notional Amount of any Swapped Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires, the amount obtained by discounting all Swapped Note Remaining Scheduled Swap Payments corresponding to the Swapped Note Called Notional Amount of such Swapped Note from their respective scheduled due dates to the Swapped Note Settlement Date with respect to such Swapped Note Called Notional Amount, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on such Swapped Note is payable) equal to the Swapped Note Reinvestment Yield with respect to such Swapped Note Called Notional Amount.

“Swapped Note Reinvestment Yield” means, with respect to the Swapped Note Called Notional Amount of any Swapped Note, the sum of (x) Swapped Note Applicable Percentage plus (y) the yield to maturity implied by (1) the yields reported, as of 10.00 A.M. (New York City time) on the second Business Day preceding the Swapped Note Settlement Date with respect to such Swapped Note Called Notional Amount, on the display designated as “Page PX1” (or such other display as may replace Page PX1) on the Bloomberg Financial Markets for the most recently issued actively traded on the run U.S. Treasury securities having a maturity equal to the Swapped Note Remaining Average Life of such Swapped Note Called Notional Amount as of such Swapped Note Settlement Date, or (2) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported for the latest day for which such yields have been so reported as of the second Business Day preceding the Swapped Note Settlement Date with respect to such Swapped Note Called Notional Amount, in U.S. Federal Reserve Statistical Release H.15 (or any comparable successor publication) for applicable U.S. Treasury securities having a constant maturity equal to the Swapped Note Remaining Average Life of such Swapped Note Called Notional Amount as of such Swapped Note Settlement Date.

In the case of each determination under clause (1) or (2), as the case may be, of the preceding paragraph such implied yield will be determined, if necessary, by (A) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (B) interpolating linearly between (i) the applicable U.S. Treasury security with the maturity closest to and greater than the Swapped Note Remaining Average Life of such Swapped Note Called Notional Amount and (ii) the applicable U.S. Treasury security with the maturity closest to and less than such Swapped Note Remaining Average Life. The Swapped Note Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of such Swapped Note.

“Swapped Note Remaining Average Life” means, with respect to any Swapped Note Called Notional Amount, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (x) such Swapped Note Called Notional Amount into (y) the sum of the products obtained by multiplying (1) the principal component of each Swapped Note Remaining Scheduled Swap Payments with respect to such Swapped Note Called Notional Amount by (2) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Swapped Note Settlement Date with respect to such Swapped Note Called Notional Amount and the scheduled due date of such Swapped Note Remaining Scheduled Payments.

“Swapped Note Remaining Scheduled Swap Payments” means, with respect to the Swapped Note Called Notional Amount relating to any Swapped Note, the payments due to the holder of such Swapped Note in U.S. Dollars under the terms of the Swap Agreement to which such holder is a party which correspond to all payments of the Swapped Note Called Principal of such Swapped Note corresponding to such Swapped Note Called Notional Amount and interest on such Swapped Note Called Principal (other than that portion of the payment due under such Swap Agreement corresponding to the interest accrued on the Swapped Note Called Principal to the Swapped Note Settlement Date) that would be due after the Swapped Note Settlement Date in respect of such Swapped Note Called Notional Amount assuming that no payment of such Swapped Note Called Principal is made prior to its originally scheduled payment date.

“Swapped Note Settlement Date” means, with respect to the Swapped Note Called Notional Amount of any Swapped Note Called Principal of any Swapped Note, the date on which such Swapped Note Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

8.7. Swap Breakage.

If any Swapped Note is prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, then (a) any resulting Net Loss in connection therewith shall be reimbursed to the holder of such Swapped Note by the Company in U.S. Dollars upon any such prepayment or repayment of such Swapped Note (such amount payable herein referred to as the “**Swap Reimbursement Amount**”) and (b) any resulting Net Gain in connection therewith shall be deducted (i) from the Make-Whole Amount, if any, or any principal or interest to be paid to the holder of such Swapped Note by the Company upon any such prepayment of such Swapped Note pursuant to Section 8.2 or (ii) from the Make-Whole Amount, if any, to be paid to the holder of such Swapped Note by the Company upon any such repayment of such Swapped Note pursuant to Section 12.1, provided that, in either case, the Make-Whole Amount in respect of such Swapped Note may not in any event be less than zero. Each holder of a Swapped Note shall be responsible for calculating its own Net Loss or Net Gain, as the case may be, and Swap Breakage Amount in U.S. Dollars upon the prepayment or repayment of all or any portion of such Swapped Note, and such calculations as reported to the Company in reasonable detail shall be binding on the Company absent demonstrable error (subject to compliance by the relevant holder with the requirements of the second succeeding paragraph with respect to its calculation of the Swap Breakage Amount). Any Net Gain in excess of the Make-Whole Amount to be applied to principal or interest pursuant to clause (b)(i) of this Section 8.7 shall be (a) converted by the holder of the affected Swapped Note from U.S. Dollars to Japanese Yen at the Japanese Yen/U.S. Dollar exchange rate, as determined as of 10:00 A.M. (New York City time) on the day such Swapped Note is prepaid as indicated on the applicable screen of Bloomberg Financial Markets and any such calculation shall be reported to the Company in reasonable detail and shall be binding on the Company absent demonstrable error, and (b) applied in the following order of priority: (i) *first*, to any accrued and unpaid interest due on the day such Swapped Note is prepaid or repaid, (ii) *second*, to any principal due on the day such Swapped Note is prepaid or repaid, (iii) *third*, to any accrued interest on the principal amount outstanding after giving effect to any such prepayment, and (iv) *fourth*, to any principal outstanding after giving effect to any such prepayment.

As used in this Section 8.7 with respect to any Swapped Note that is prepaid or accelerated: “**Net Loss**” means the amount, if any, by which the Swapped Note Called Notional Amount exceeds the sum of (x) the Swapped Note Called Principal plus (or minus in the case of an amount paid) (y) the Swap Breakage Amount received (or paid) by the holder of such Swapped Note; and “**Net Gain**” means the amount, if any, by which the Swapped Note Called Notional Amount is exceeded by the sum of (x) the Swapped Note Called Principal plus (or minus in the case of an amount paid) (y) the Swap Breakage Amount received (or paid) by such holder. For purposes of any determination of any “Net Loss” or “Net Gain,” the Swapped Note Called Principal shall be determined by the holder of the affected Swapped Note by converting Japanese Yen into U.S. Dollars at the current Japanese Yen/U.S. Dollar exchange rate, as determined as of 10:00 A.M. (New York City time) on the day such Swapped Note is prepaid or accelerated as indicated on the applicable screen of Bloomberg Financial Markets and any such calculation shall be reported to the Company in reasonable detail and shall be binding on the Company absent demonstrable error.

As used in this Section 8.7, “**Swap Breakage Amount**” means, with respect to the Swap Agreement associated with any Swapped Note, in determining the Net Loss or Net Gain, the amount that would be received (in which case the Swap Breakage Amount shall be positive) or paid (in which case the Swap Breakage Amount shall be negative) by the holder of such Swapped Note as if such Swap Agreement had terminated due to the occurrence of an event of default or termination, which shall be an amount equal to the “**Settlement Amount**” (or “**Close-out Amount**” or analogous term, as applicable) as defined by the International Swap and Derivatives Association’s (“**ISDA**”) 1992 Multi-Currency Cross Border Master Agreement or any applicable ISDA agreement (including, without limitation, the 2002 Master Agreement) which is the successor or replacement to the foregoing (the “**ISDA Master Agreement**”); provided, however, that if such holder (or its predecessor in interest with respect to such Swapped Note) was, but is not at the time, a party to an Original Swap Agreement but is a party to a New Swap Agreement, then the Swap Breakage Amount shall mean the lesser of (x) the gain or loss (if any) which would have been received or incurred (by payment, through off-set or netting or otherwise) by the holder of such Swapped Note under the terms of the Original Swap Agreement (if any) in respect of such Swapped Note to which such holder (or any affiliate thereof) was a party (or if such holder was never a party to an Original Swap Agreement, then the last Original Swap Agreement to which the most recent predecessor in interest to such holder as a holder of a Swapped Note was a party) and which would have arisen as a result of the payment of the Swapped Note Called Principal on the Swapped Note Settlement Date and (y) the gain or loss (if any) actually received or incurred by the holder of such Swapped Note, in connection with the payment of such Swapped Note Called Principal on the Swapped Note Settlement Date, under the terms of the New Swap Agreement to which such holder (or any affiliate thereof) is a party. The holder of such Swapped Note will make all calculations related to the Swap Breakage Amount in good faith and in accordance with its customary practices for calculating such amounts under the ISDA Master Agreement pursuant to which such Swap Agreement shall have been entered into and assuming for the purpose of such calculation that there are no other transactions entered into pursuant to such ISDA Master Agreement (other than such Swap Agreement).

The Swap Breakage Amount shall be payable in U.S. Dollars.

9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

9.1. Compliance with Law.

The Company will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, the Anti-Terrorism Order and Public Law 107-56 (USA Patriot Act), and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.2. Insurance.

The Company will and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

9.3. Maintenance of Properties.

The Company will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, *provided* that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if the Company has concluded that such discontinuance is desirable in the conduct of its business and that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.4. Payment of Taxes and Claims.

The Company will and will cause each of its Subsidiaries to file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes, assessments, charges or levies have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, *provided* that neither the Company nor any Subsidiary need pay any such tax or assessment or claims if (a) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (b) the nonpayment of all such taxes, assessments, charges and levies in the aggregate could not reasonably be expected to have a Material Adverse Effect.

9.5. Corporate Existence, etc.

Subject to Section 10.5(c), the Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 10.5 and 10.6, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or a Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

9.6. Subsequent Guarantors.

The Company covenants that if at any time after the date of this Agreement any Subsidiary which is not already a Guarantor at such time, shall be or become a party to a Guaranty (whether as a borrower or an obligor) of all or any part of the Indebtedness of the Company or its Subsidiaries under, or in respect of, the Credit Agreement, the Company will cause each such Subsidiary, contemporaneously with entering into any such Guaranty (and in any event no later than 30 days thereafter), to execute and deliver to the holders of the Notes (a) a Guaranty of the Company's obligations under the Notes and this Agreement, in substantially the form of the Guaranty Agreement attached as Exhibit 4.7 to this Agreement to the extent permitted under local law, and (b) to the extent an opinion of counsel is delivered with respect to such Guaranty of such Indebtedness under, or in respect of, the Credit Agreement, an opinion of counsel for such Subsidiary with respect to such Guaranty in substantially the form of the opinion of counsel so delivered under, or in respect of, the Credit Agreement.

10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

10.1. Transactions with Affiliates.

The Company will not, and will not permit any Subsidiary to, enter into directly or indirectly any transaction or group of related transactions (including, without limitation, the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

10.2. Line of Business.

The Company will not, and will not permit any of its Subsidiaries to, engage in any business if, as a result, the general nature of the business in which the Company and its Subsidiaries, taken as a whole, would then be engaged would be substantially changed from the general nature of the business in which the Company and its Subsidiaries, taken as a whole, are engaged on the date of this Agreement as described in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended January 31, 2010, except for vertical, horizontal or geographical expansion of any such business so engaged in, whether under the Tiffany & Co. name or any other name. Any such expansion may include, but shall not be limited to, additional manufacturing of jewelry products, trading in and processing of diamonds and the acquisition/operation of additional retail operations under other tradenames.

10.3. Limitation on Debt.

(a) Incurrence of Debt. The Company will not, and will not permit any Subsidiary to, directly or indirectly, create, incur, assume, guarantee, or otherwise become directly or indirectly liable with respect to, any Debt, *unless* on the date the Company or such Subsidiary becomes liable with respect to any such Debt and immediately after giving effect thereto and the concurrent retirement of any other Debt,

(i) no Default or Event of Default would exist,

(ii) Consolidated Total Debt would not exceed 60% of Consolidated Total Capitalization, and

(iii) the Fixed Charge Coverage Ratio in respect of such Debt at such time would be greater than or equal to 2.0 to 1.0.

(b) Incurrence of Priority Debt. The Company will not, and will not permit any Subsidiary to, directly or indirectly, create, incur, assume, guarantee, or otherwise become directly or indirectly liable with respect to, any Priority Debt, *unless* on the date the Company or such Subsidiary becomes liable with respect to any such Priority Debt and immediately after giving effect thereto and the concurrent retirement of any other Priority Debt,

(i) no Default or Event of Default would exist; and

(ii) Priority Debt would not exceed 20% of Consolidated Net Worth.

(c) Deemed Incurrence. For the purposes of this Section 10.3, any Person becoming a Subsidiary after the date hereof shall be deemed, at the time it becomes a Subsidiary, to have incurred all of its then outstanding Debt, and any Person extending, renewing or refunding any Debt shall be deemed to have incurred such Debt at the time of such extension, renewal or refunding.

10.4. Liens.

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly create, assume, incur or suffer to be created, assumed or incurred or to exist, any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Company or any such Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits (unless it makes, or causes to be made, effective provision whereby the Notes will be equally and ratably secured with any and all other obligations thereby secured, pursuant to an agreement or agreements reasonably satisfactory to the Required Holders and, in any such case, the Notes shall have the benefit, to the fullest extent that, and with such priority as, the holders of the Notes may be entitled under applicable law, of an equitable Lien on such property), except:

(a) **Taxes, etc.** -- Liens for taxes, assessments or other governmental charges that are not yet due and payable or the payment of which is not at the time required by Section 9.4;

(b) **Legal Proceedings** -- Liens

(i) arising from judicial attachments and judgments,

(ii) securing appeal bonds, supersedeas bonds, and

(iii) arising in connection with court proceedings (including, without limitation, surety bonds and letters of credit or any other instrument serving a similar purpose),

provided that the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings, and in respect of which adequate reserves shall have been established on the books of the Company and its Subsidiaries in accordance with GAAP;

(c) **Ordinary Course Liens** -- Liens incidental to the normal conduct of the business of the Company or any Subsidiary or the ownership of their properties or assets which are not incurred in connection with the incurrence of Debt and which do not in the aggregate materially impair the use of such properties in the operation of the business of the Company and its Subsidiaries taken as a whole or materially impair the value of such properties for the purpose of such business, including, without limitation, Liens

(i) in connection with workers' compensation, unemployment insurance, social security and other like laws,

(ii) to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety and performance bonds (of a type other than set forth in Section 10.4(b)), bids, leases (other than Capital Leases), purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property,

(iii) to secure the claims or demands of materialmen, mechanics, carriers, warehousemen, vendors, repairmen, landlords, lessors and other like Persons, arising in the ordinary course of business, and

(iv) in the nature of reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other similar title exceptions or encumbrances affecting real property,

provided that any amounts secured by such Liens are not overdue;

(d) (i) **Existing Liens** -- Liens in existence securing Debt and listed in Schedule 5.15, and

(ii) **Renewals** -- Liens securing renewals, extensions (as to time) and refinancings of Debt secured by the Liens listed in Schedule 5.15, *provided* that (A) the amount of Debt secured by each such Lien is not increased in excess of the amount of Debt outstanding on the date of such renewal, extension or refinancing, (B) none of such Liens is extended to include any additional property of the Company or any Subsidiary, and (C) immediately after giving effect thereto, no Default or Event of Default would exist;

(e) **Intra-Group Liens** -- Liens on property of the Company or any of its Subsidiaries securing Debt owing to the Company or to any of its Subsidiaries; provided that any such Lien does not materially and adversely affect the interests of the holders of the Notes under the Financing Documents;

(f) **Purchase Money Liens** -- Liens on fixed assets (or any improvement thereon) or in rights relating thereto, in each case, acquired or constructed by the Company or any Subsidiary after the Closing Day to secure Debt of the Company or such Subsidiary incurred in connection with such acquisition or construction, *provided* that

(i) no such Lien shall extend to or cover any property other than the property (or improvement thereon) being acquired or constructed,

(ii) the amount of Debt secured by any such Lien shall not exceed an amount equal to the lesser of (A) the cost to the Company or such Subsidiary of the property (or improvement thereon) being acquired or constructed or (B) the Fair Market Value (as determined in good faith by the Company) of such property, determined at the time of such acquisition or at the time of substantial completion of such construction, and

(iii) such Lien shall be created concurrently with or within 120 days after such acquisition or the substantial completion of such construction;

(g) **Acquisition Liens** -- Liens existing on property of a Person immediately prior to its being consolidated with or merged into the Company or a Subsidiary or its becoming a Subsidiary, or any Lien existing on any property acquired by the Company or any Subsidiary at the time such property is so acquired (whether or not the Debt secured thereby shall have been assumed), *provided* that

(i) no such Lien shall have been created or assumed in contemplation of such consolidation or merger or such Person's becoming a Subsidiary or such acquisition of property,

(ii) each such Lien shall extend solely to the item or items of property so acquired and, if required by the terms of the instrument originally creating such Lien, other property which is an improvement to or is acquired for specific use in connection with such acquired property, and

(iii) the principal amount of the Debt secured by any such Lien shall at no time exceed an amount equal to the Fair Market Value (as determined in good faith by the board of directors of the Company or such Subsidiary) of such property (or improvement thereon) at the time of such transaction;

(h) **Consignment Liens** -- Liens incurred in the ordinary course of business not securing Debt in favor of Persons supplying the Company or any Subsidiary with precious metals, precious gems or jewelry on a consignment basis, *provided* that such Liens cover only the following property of the Company or such Subsidiary which shall have been supplied by such Persons:

(i) gold and silver bullion, gold and silver granule and other gold, silver, platinum or precious metals and precious gems or jewelry in whatever form including all substitutions, replacements and products in which any gold, silver, platinum or precious metals and precious gems or jewelry are incorporated or into which gold, silver, platinum or precious metals and precious gems or jewelry are processed or converted, whether now or hereafter owned or acquired by the Company or such Subsidiary or in which the Company or such Subsidiary now or hereafter acquires an interest, and all proceeds and products of and accessions to the foregoing, and

(ii) all inventory now or hereafter owned by the Company or such Subsidiary or in which the Company or such Subsidiary now or hereafter acquires an interest, including all merchandise, returned and repossessed goods, raw materials, goods in process, finished goods and proceeds therefor, and all accounts of the Company or such Subsidiary including all accounts receivable, notes, drafts, acceptances and other forms of obligations and receivables now owned or hereafter arising from such inventory sold or otherwise disposed of by the Company or such Subsidiary and proceeds thereof and all contract rights and proceeds of the foregoing; and

(i) **Other Liens** -- Liens securing Debt of the Company or any Subsidiary and not otherwise permitted by clauses (a) through (h) inclusive, of this Section 10.4 (other than Liens securing Debt under the Credit Agreement), but only to the extent that the Debt secured by such Lien is, at the time of the incurrence of such Debt, permitted to be incurred under Section 10.3(b).

10.5. Merger, Consolidation, etc.

The Company will not, and will not permit any Subsidiary to, directly or indirectly, consolidate with, or merge into, any other Person or permit any other Person to consolidate with, or merge into, it, or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person, except that

(a) any Subsidiary (other than a Guarantor) may consolidate with, or merge into, the Company or another Subsidiary if, immediately after, and after giving effect to, such transaction, no Default or Event of Default shall exist;

(b) any Subsidiary (other than a Guarantor) may consolidate with, or merge into, any other Person, or allow any other Person to consolidate with, or merge into, it, if

(i) in the case of any consolidation or merger in which the successor or surviving corporation is a Subsidiary, immediately after, and after giving effect to, such transaction,

(A) no Default or Event of Default would exist, and

(B) the successor or surviving corporation would be permitted to incur at least \$1.00 of additional Debt by the provisions of Section 10.3(a) and at least \$1.00 of additional Priority Debt by the provisions of Section 10.3(b) (in each case, other than Debt owing to the Company or a Subsidiary), and

(ii) in the case of any consolidation or merger in which the successor or surviving corporation is not a Subsidiary, such transaction would be permitted under the provisions of Section 10.6(a)(iii) (deeming such consolidation or merger to be a Transfer of all of the assets and liabilities of such Subsidiary) and immediately after, and after giving effect to, such transaction, no Default or Event of Default would exist; and

(c) the Company or any Guarantor may consolidate with, or merge into, any other Person, or permit any other Person to consolidate with, or merge into, it, if

(i) the successor or surviving corporation (the “**Successor Corporation**”) shall be a solvent corporation organized under the laws of any state of the United States of America,

(ii) the Successor Corporation, if not the Company or such Guarantor, shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of the obligations of the Company under this Agreement and the Notes, or of such Guarantor under the Guaranty Agreement, as the case may be, including, without limitation, all covenants herein and therein contained, and the Company shall cause to be delivered to each holder of a Note an opinion of outside counsel (such counsel to be reasonably satisfactory to the Required Holders) confirming the enforceability of such assumption, and

(iii) immediately after, and after giving effect to, such transaction,

(A) no Default or Event of Default would exist, and

(B) the Successor Corporation would be permitted to incur at least \$1.00 of additional Debt by the provisions of Section 10.3(a) and at least \$1.00 of additional Priority Debt by the provisions of Section 10.3(b) (in each case, other than Debt owing to the Company or a Subsidiary).

10.6. Sale of Assets.

(a) *Sale of Assets.* The Company will not, and will not permit any of its Subsidiaries to, make any Transfer, *provided* that the foregoing restriction does not apply to a Transfer if:

(i) the property that is the subject of such Transfer constitutes either (A) inventory held for sale, or (B) equipment, fixtures, supplies or materials no longer required, in the opinion of the Company or such Subsidiary, in the operation of the business of the Company or such Subsidiary or that is obsolete, and, in the case of any Transfer described in clause (A) or clause (B), such Transfer is in the ordinary course of business (an "*Ordinary Course Transfer*"); or

(ii) either

(A) such Transfer is from a Subsidiary to the Company or a Wholly-Owned Subsidiary;

(B) such Transfer is from the Company to a Wholly-Owned Subsidiary; or

(C) such Transfer is from a Wholly-Owned Subsidiary to the Company or any other Wholly-Owned Subsidiary;

so long as immediately before and immediately after the consummation of such transaction, and after giving effect thereto,

(I) no Default or Event of Default exists or would exist, and

(II) the Company would be permitted to incur at least \$1.00 of additional Debt by the provisions of Section 10.3(a) and at least \$1.00 of additional Priority Debt by the provisions of Section 10.3(b) (in each case other than Debt owing to the Company or a Subsidiary)

(each such Transfer, collectively with any Ordinary Course Transfers, "*Excluded Transfers*"); or

(iii) such Transfer is not an Excluded Transfer and does not involve a Substantial Portion of the property of the Company and its Subsidiaries, so long as immediately before and immediately after the consummation of such transaction, and after giving effect thereto, no Default or Event of Default exists or would exist.

(b) **Debt Prepayment Applications and Reinvested Transfers.**

(i) Notwithstanding the provisions of Section 10.6(a), the determination of whether a Transfer involves a Substantial Portion of the property of the Company and its Subsidiaries, as provided in Section 10.6(a)(iii) and Section 10.6(c)(iii), shall be made without taking into account the same proportion of the book value attributable to the property subject to such Transfer as shall be equal to the proportion (the “**Designated Portion**”) of the Net Asset Sale Proceeds Amount with respect to such Transfer to be applied to either a Debt Prepayment Application with respect to such Transfer or the acquisition of assets of at least equivalent value that are similar to the assets which were the subject of such Transfer (a “**Reinvested Transfer**”) within 365 days of the consummation of such Transfer, as specified in an Officer’s Certificate delivered to each holder of Notes prior to, or contemporaneously with, the consummation of such Transfer.

(ii) If, notwithstanding the certificate referred to in the foregoing clause (i), the Company shall fail to apply the entire amount of the Designated Portion as specified in such certificate within the period stated in Section 10.6(b)(i), the computation of whether such Transfer involved a Substantial Portion of the property of the Company and its Subsidiaries shall be recomputed, as of the date of such Transfer, by taking into account the same proportion of the book value attributable to the property subject to such Transfer as shall be equal to the proportion of the Net Asset Sale Proceeds Amount actually applied to either a Debt Prepayment Application or a Reinvested Transfer within such period. If, upon the recomputation provided for in the preceding sentence, such Transfer involved a Substantial Portion of the property of the Company and the Subsidiaries, an Event of Default shall be deemed to have existed as of the expiration of such period.

(c) **Certain Definitions.** The following terms have the following meanings:

(i) “**Debt Prepayment Application**” means, with respect to any Transfer of property by the Company or any Subsidiary, the application by the Company or such Subsidiary of cash in an amount equal to the Net Asset Sale Proceeds Amount with respect to such Transfer to pay Senior Debt of the Company or such Subsidiary (other than Senior Debt owing to any of the Subsidiaries or any Affiliate and Senior Debt in respect of any revolving credit or similar facility providing the Company or such Subsidiary with the right to obtain loans or other extensions of credit from time to time, except to the extent that in connection with such payment of Senior Debt the availability of credit under such credit facility is permanently reduced by an amount not less than the amount of such proceeds applied to the payment of such Senior Debt), *provided* that in the course of making such application the Company shall offer to prepay each outstanding Note in accordance with Section 8.2 in a principal amount that equals the Ratable Portion for such Note. A holder of Notes may accept or reject such offer to prepay by causing a notice of such acceptance or rejection to be delivered to the Company at least two Business Days prior to the prepayment date specified by the Company in such offer. If a holder of Notes has not responded to such offer by a date which is at least two Business Days prior to such specified prepayment date, such holder shall be deemed to have accepted such offer of prepayment. If any holder of a Note rejects such offer of prepayment, then, for purposes of the preceding sentence only, the Company nevertheless will be deemed to have paid Senior Debt in an amount equal to the Ratable Portion for such Note.

As used in this definition,

“*Ratable Portion*” means, for any Note, an amount equal to the product of

(A) the Net Asset Sale Proceeds Amount being so offered to be applied to the payment of Senior Debt, multiplied by

(B) a fraction the numerator of which is the outstanding principal amount of such Note and the denominator of which is the aggregate outstanding principal amount of Senior Debt of the Company and its Subsidiaries, after eliminating all offsetting debits and credits between the Company and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP.

(ii) “*Disposition Value*” means, at any time, with respect to any Transfer of property,

(A) in the case of property that does not constitute Capital Stock of a Subsidiary, the book value thereof, valued at the amount taken into account (or which would be taken into account) in the consolidated balance sheet of the Company then most recently required to have been delivered to the holders pursuant to Section 7.1, and

(B) in the case of property that constitutes Capital Stock of a Subsidiary, an amount equal to that percentage of the book value of the assets of the Subsidiary that issued such Capital Stock as is equal to the percentage that the book value of such Capital Stock represents of the book value of all of the outstanding Capital Stock of such Subsidiary (assuming, in making such calculations, that all securities convertible into such Capital Stock are so converted and giving full effect to all transactions that would occur or be required in connection with such conversion), determined as of the date of the balance sheet referred to in the foregoing clause (A).

(iii) **“Substantial Portion”** means, at any time, any property subject to a Transfer if

(A) the Disposition Value of such property, when added to the Disposition Value of all other property of the Company and its Subsidiaries that shall have been the subject of a Transfer (other than an Excluded Transfer and subject, with respect to both such property and all such other property, to the provisions of Section 10.6(b)) during the then current fiscal year of the Company, exceeds an amount equal to 15% of Consolidated Total Assets as reflected (or as would be reflected) in the consolidated balance sheet of the Company then most recently required to have been delivered to the holders pursuant to Section 7.1, or

(B) the Disposition Value of such property, when added to the Disposition Value of all other property of the Company and its Subsidiaries that shall have been the subject of a Transfer (other than an Excluded Transfer and subject, with respect to both such property and all such other property, to the provisions of Section 10.6(b)) during the period beginning on the date of this Agreement and ending on and including the date of the consummation of such Transfer, exceeds an amount equal to 30% of Consolidated Total Assets as reflected (or as would be reflected) in the consolidated balance sheet of the Company then most recently required to have been delivered to the holders pursuant to Section 7.1.

(iv) **“Transfer”** means, with respect to any Person, any transaction in which such Person sells, conveys, transfers or leases (as lessor) any of its property, including, without limitation, Capital Stock of any other Person, but does not include any such transaction subject to the provisions of Section 10.5 (other than Section 10.5(b)(ii)).

10.7. Most Favored Lender Status.

(a) If the Company agrees to any addition, amendment, waiver, deletion, termination or other modification of any affirmative or negative covenant, default, event of default or comparable provision (however named or designated) set forth in the Credit Agreement then in effect (a **“Credit Agreement Modification”**) which is more or less restrictive on the Company or any Subsidiary than the provisions contained in this Agreement (including, without limitation, those set forth on Schedule 10.7), then the Company shall, within five (5) Business Days of such Credit Agreement Modification, provide a notice to the holders of the Notes in respect of each such Credit Agreement Modification. Each of the provisions set forth on Schedule 10.7 are on the date hereof, and immediately upon the effectiveness of a Credit Agreement Modification the terms of such Credit Agreement Modification shall be, automatically incorporated by reference into this Agreement (each such Credit Agreement Modification and each of such provisions set forth on Schedule 10.7 as so incorporated is herein referred to as an **“Incorporated Provision”**), *mutatis mutandis*, as if set forth fully herein; *provided*, that at any time as a Default or Event of Default has occurred and is continuing, no Credit Agreement Modification which is less restrictive on the Company or any Subsidiary will be deemed incorporated into this Agreement without the prior written consent of the Required Holders, which written consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, in no event shall an Incorporated Provision amend or modify any provision otherwise set forth herein to make such provision less restrictive as to the Company or any Subsidiary than the corresponding provision set forth in the 2002 Note Agreement, as in effect on the Closing Day.

(b) Except as contemplated by Section 10.7(a), no Incorporated Provision shall be modified unless such Incorporated Provision is amended or waived in accordance with the provisions of Section 17 and then only to the extent of such amendment or waiver.

(c) In connection with any Credit Agreement Modification, the Company and the Required Holders agree within 30 days of the written request of either the Company or the Required Holders, to enter into a formal amendment to this Agreement, in form and substance satisfactory to the Required Holders, acting reasonably, to document the applicable amendments to this Agreement arising from any such Credit Agreement Modification. If any fee, supplemental or additional interest or other consideration is given to any lender under a Credit Agreement Modification as consideration for or as an inducement to enter into any Credit Agreement Modification, the equivalent of such fee, supplemental or additional interest or other consideration shall be paid to the holders of the Notes with respect to such Credit Agreement Modification that is incorporated into this Agreement at the same time as such fee, supplemental or additional interest or other consideration is paid to such lender. For the avoidance of doubt, the amount of any payment (whether as fee or interest) to any holder of Notes then being made shall be deemed equivalent to any similar payment under the Credit Agreement if such payment to such holder of Notes represents the same percentage of the then outstanding principal amount of such Notes as the percentage of all then outstanding Debt under the Credit Agreement represented by the aggregate amount of such similar payments under the Credit Agreement.

11. EVENTS OF DEFAULT.

An “*Event of Default*” shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, or Swap Reimbursement Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in any of Sections 10.3 through Section 10.6, inclusive, any Incorporated Provision that amends, or is otherwise of the type set forth in such Sections 10.3 through 10.6 or is a negative covenant or Section 7.1(d); or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of Section 11); or

(e) any representation or warranty made in writing by or on behalf of the Company or any Guarantor or by any officer of the Company or any Guarantor in this Agreement or the Guaranty Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness (other than Indebtedness under this Agreement and the Notes) beyond any period of grace provided with respect thereto, that individually or together with such other Indebtedness as to which any such default exists has an aggregate outstanding principal amount of at least \$20,000,000, or

(ii) the Company or any Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness (other than Indebtedness under this Agreement and the Notes), that individually or together with such other Indebtedness as to which any such default exists has an aggregate outstanding principal amount of at least \$25,000,000, or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such Indebtedness to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or

(iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), (A) the Company or any Subsidiary has become obligated to purchase or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least \$20,000,000, or (B) one or more Persons have the right to require the Company or any Subsidiary so to purchase or repay such Indebtedness; or

(g) the Company or any Guarantor (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company or any Guarantor, a custodian, receiver, trustee or other officer with similar powers with respect to the Company or any Guarantor or with respect to any substantial part of the property of the Company or any Guarantor, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any Guarantor, or any such petition shall be filed against the Company or any Guarantor and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of \$25,000,000 (excluding any judgment or judgments to the extent the Company or any applicable Subsidiary is fully insured and with respect to which the insurer has assumed responsibility in writing) are rendered against one or more of the Company and its Subsidiaries and which judgments are not, within 45 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 45 days after the expiration of such stay; or

(j) (i) the Guaranty Agreement shall cease to be in full force and effect or shall be declared by a court or governmental authority of competent jurisdiction to be void, voidable or unenforceable against any Guarantor, or

(ii) the validity or enforceability of the Guaranty Agreement against any Guarantor shall be contested by such Guarantor or the Company, or

(iii) any Guarantor or the Company shall deny that such Guarantor has any further liability or obligation under the Guaranty Agreement; or

(k) If:

(i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code,

(ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings,

(iii) the aggregate “amount of unfunded benefit liabilities” (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed \$25,000,000,

(iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans,

(v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or

(vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder;

and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect.

As used in Section 11(k), the terms “*employee benefit plan*” and “*employee welfare benefit plan*” shall have the respective meanings assigned to such terms in section 3 of ERISA.

12. REMEDIES ON DEFAULT, ETC.

12.1. Acceleration.

(a) If an Event of Default with respect to the Company described in paragraph (g) or paragraph (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 50% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (i) all accrued and unpaid interest thereon and (ii) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law) and (iii) Swap Reimbursement Amount, shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

12.2. Other Remedies.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained in any Financing Document, or for an injunction against a violation of any of the terms thereof, or in aid of the exercise of any power granted thereby or by law or otherwise.

12.3. Rescission.

At any time after any Notes have been declared due and payable pursuant to clause (b) or clause (c) of Section 12.1, the holders of not less than 66-2/3% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on such Notes, all principal of and Make-Whole Amount, if any, due and payable on such Notes other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and Swap Reimbursement Amount, if any, and Swap Reimbursement Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of such Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to such Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4. No Waivers or Election of Remedies, Expenses, etc.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by any Financing Document upon any holder of any Note shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

13.1. Registration of Notes.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company and each Purchaser acknowledge and agree that the Notes are not “negotiable instruments” within the meaning of §3-104 of the Uniform Commercial Code as adopted in the State of New York. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

13.2. Transfer and Exchange of Notes.

Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or his attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company’s expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit A. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than ¥50,000,000, *provided* that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than ¥50,000,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

13.3. Replacement of Notes.

Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (*provided* that if the holder of such Note is, or is a nominee for, an original purchaser or a Qualified Institutional Buyer, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

14. PAYMENTS ON NOTES.

14.1. Place of Payment.

Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, Swap Reimbursement Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the principal office of the Company in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

14.2. Home Office Payment.

So long as any Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, Swap Reimbursement Amount, if any, and interest by (i) the method and at the address specified for such purpose below such Purchaser's name in Schedule A or (ii) such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon payment or prepayment in full of any Note, such Purchaser shall promptly surrender such Note for cancellation to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by any Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Qualified Institutional Buyer or Institutional Investor that is the direct or indirect transferee of any Note purchased by any Purchaser under this Agreement and that has made the same agreement relating to such Note as such Purchaser has made in this Section 14.2.

15. EXPENSES, ETC.

15.1. Transaction Expenses.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of one special counsel for all Purchasers and holders of Notes and, if reasonably required, one local counsel in each jurisdiction where such counsel is so required) incurred by each Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of the Financing Documents (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under the Financing Documents or in responding to any subpoena or other legal process or informal investigative demand issued in connection with the Financing Documents, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated by the Financing Documents. The Company will pay, and will save each Purchaser and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by such Purchaser).

15.2. Currency Rate Indemnity.

(a) Except as provided in Section 8.7, each payment under this Agreement or the Notes shall be made in Japanese Yen. Any obligation to make payments under this Agreement, the Guaranty Agreement or the Notes in Japanese Yen will not be discharged or satisfied by any tender in any currency other than Japanese Yen, except to the extent such tender results in the actual receipt (after deduction of all reasonable fees and expenses relating to any conversion) by the party to which payment is owed, acting in a reasonable manner and in good faith in converting the currency so tendered into Japanese Yen, of the full amount in Japanese Yen of all amounts due in respect of this Agreement, the Guaranty Agreement or the Notes. If for any reason the amount in Japanese Yen so received falls short of the amount in Japanese Yen due in respect of this Agreement, the Guaranty Agreement or the Notes, the Company or each Guarantor, as the case may be, will, to the extent permitted by law, immediately pay such additional amount in Japanese Yen as may be necessary to compensate for the shortfall.

(b) If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due in respect of this Agreement, the Guaranty Agreement or the Notes in one currency into another currency, the rate of exchange used shall be that prevailing on the date of entry of final judgment. The obligation of the Company or each Guarantor in respect of any such sum due from it hereunder shall, notwithstanding any judgment in a currency (the "**Judgment Currency**") other than Japanese Yen (the "**Agreement Currency**"), be discharged only to the extent that on the Business Day following receipt by the party to whom such payment is owed of any sum adjudged to be so due in the Judgment Currency, such party may in accordance with normal procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally adjudged to be due in the Agreement Currency, each of the Company and each Guarantor agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such party against such loss.

15.3. Survival.

The obligations of the Company and each Guarantor under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of any Financing Document, and the termination of any Financing Document.

16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained in any Financing Document shall survive the execution and delivery of this Agreement and the Notes and the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of any Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument or writing delivered by or on behalf of the Company pursuant to any Financing Document shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, the Financing Documents embody the entire agreement and understanding between each Purchaser and the Obligor and supersede all prior agreements and understandings relating to the subject matter hereof.

17. AMENDMENT AND WAIVER.

17.1. Requirements.

This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of any of Sections 1, 2, 3, 4, 5, 6 and 21, or any defined term (as it is used therein), will be effective as to a Purchaser unless consented to by such Purchaser in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount or Swap Reimbursement Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 14.2, 15.2, 17 and 20.

17.2. Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

(c) Consent in Contemplation of Transfer. Any consent made pursuant to this Section 17 by a holder of Notes that has transferred or has agreed to transfer its Notes to the Company, any Subsidiary or any Affiliate of the Company and has provided or has agreed to provide such written consent as a condition to such transfer shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Notes that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such holder.

17.3. Binding Effect, etc.

Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term “**this Agreement**” and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

17.4. Notes held by Company, etc.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under any of the Financing Documents, or have directed the taking of any action provided in any of the Financing Documents to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to a Purchaser or its nominee, to such Purchaser or its nominee at the address specified for such communications in Schedule A, or at such other address as such Purchaser or its nominee shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company at its address set forth at the beginning hereof to the attention of the Chief Financial Officer, telecopier: (212) 230-5336, or at such other address as the Company shall have specified to the holder of each Note in writing, with a copy to the Company's general counsel at the address provided pursuant to this subsection (iii).

Notices under this Section 18 will be deemed given only when actually received.

19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating hereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser on the Closing Day (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, “*Confidential Information*” means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company or such Subsidiary, *provided* that such term does not include information that

- (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure,
- (b) subsequently becomes publicly known through no act or omission by such Purchaser or any person acting on such Purchaser’s behalf,
- (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary, or
- (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available.

Such Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, *provided* that such Purchaser may deliver or disclose Confidential Information to:

- (i) its directors, officers, trustees, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes),
- (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20,
- (iii) any other holder of any Note,
- (iv) any Institutional Investor to which such Purchaser sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20),
- (v) any Person from which such Purchaser offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20),

- (vi) any federal or state regulatory authority having jurisdiction over such Purchaser,
- (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio or
- (viii) any other Person to which such delivery or disclosure may be necessary or appropriate

(A) to effect compliance with any law, rule, regulation or order applicable to such Purchaser,

(B) in response to any subpoena or other legal process,

(C) in connection with any litigation to which such Purchaser is a party, or

(D) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under the Financing Documents.

Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

21. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of its Affiliates as the purchaser of the Notes that such Purchaser has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6.

22. MISCELLANEOUS

22.1. Successors and Assigns.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

22.2. Payments Due on Non-Business Days.

Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or Swap Reimbursement Amount or interest on any Note that is due on a date (including, without limitation, the final maturity date of the Notes) other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day, except in the case of a payment on the final maturity date which shall include such additional days in such computation but shall not include the date on which such payment is received.

22.3. Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

22.4. Construction.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

22.5. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

22.6. Governing Law.

THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

[Remainder of page intentionally left blank. Next page is signature page.]

Very truly yours,

TIFFANY & CO.

By: _____
Name:
Title:

A/73421357.6

The foregoing is hereby agreed to

as of the date thereof:

METROPOLITAN LIFE INSURANCE COMPANY

METLIFE INSURANCE COMPANY OF CONNECTICUT

by Metropolitan Life Insurance Company, its Investment Manager

NEW ENGLAND LIFE INSURANCE COMPANY

by Metropolitan Life Insurance Company, its Investment Manager

By: _____

Name:

Title:

A/73421357.6

SCHEDULE B

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"2002 Note Agreement" means that certain Note Purchase Agreement dated as of July 18, 2002, by and among Tiffany & Co., a Delaware corporation, and the purchasers that are parties thereto, as amended, restated or otherwise modified from time to time.

"2008 Restructuring Charges" means the charges in the aggregate amount of \$121,142,107 recorded by the Company for the fiscal quarter ended January 31, 2009.

"Affiliate" means at any time, and with respect to any Person,

(a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person; or

(b) (i) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary, or (ii) any Person of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests.

As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"Agreement Currency" is defined in Section 15.2(b).

"Agreement, this" is defined in Section 17.3.

"Anti-Terrorism Order" is defined in Section 5.16(b).

"Applicable Taxing Authority" is defined in Section 5.9.

"Business Day" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

"Capital Lease" means a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

“Capital Stock” means any class of capital stock, share capital or similar equity interest of a Person.

“Closing” is defined in Section 3.

“Closing Day” is defined in Section 3.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

“Company” is defined in the introductory sentence of this Agreement.

“Confidential Information” is defined in Section 20.

“Consolidated” means the Company and its Subsidiaries on a consolidated basis in accordance with GAAP.

“Consolidated Net Worth” means, at any time,

(a) the sum, without duplication, of (i) the par value (or value stated on the books of the corporation) of the Capital Stock (but excluding treasury stock and Capital Stock subscribed and unissued, and any Preferred Stock that is mandatorily redeemable on or prior to the final maturity of the Notes) of the Company and its Subsidiaries, plus (ii) the amount of the paid-in capital and retained earnings of the Company and its Subsidiaries, in each case as such amounts (excluding the effect of all foreign currency translation adjustments) would be shown on a consolidated balance sheet of the Company and its Subsidiaries as of such time prepared in accordance with GAAP, *minus*

(b) to the extent included in clause (a), all amounts properly attributable to minority interests, if any, in the stock and surplus of Subsidiaries.

“Consolidated Total Assets” means, at any time, the total assets of the Company and its Subsidiaries which would be shown as assets on a consolidated balance sheet of the Company and its Subsidiaries as of such time prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Subsidiaries.

“Consolidated Total Capitalization” means, at any time, the sum of (a) Consolidated Total Debt at such time plus (b) Consolidated Net Worth at such time.

“Consolidated Total Debt” means, as of any date of determination, the total of all Debt of the Company and its Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Company and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP.

“Credit Agreement” means that certain Credit Agreement, dated as of July 31, 2009, by and among the Company, certain Subsidiaries of the Company, the banks that are parties thereto, and The Bank of New York Mellon, as administrative agent, as amended or renewed from time to time, and each successor loan or credit agreement constituting the Company’s primary bank credit facility, with the same or different group of lenders and agents, in each case as may be amended from time to time.

“Debt” means, with respect to any Person, without duplication,

- (a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;
- (b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including, without limitation, all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);
- (c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;
- (d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities); and
- (e) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (d) hereof.

Without limitation of the foregoing, Debt of any Person shall include all obligations of such Person of the character described in clauses (a) through (e) to the extent such Person or its property remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

“Debt Prepayment Application” is defined in Section 10.6(c)(i).

“Default” means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

“Default Rate” means that rate of interest that is the greater of (a) 2.0% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes or (b) 2.0% over the rate of interest publicly announced from time to time by JPMorgan Chase Bank (or its successor) at its headquarters as its “base” or “prime” rate.

“Designated Portion” is defined in Section 10.6(b)(i).

“Disclosure Documents” are defined in Section 5.3.

“Disposition Value” is defined in Section 10.6(c)(ii).

“EBIT” means, for any period, the net income of the Company and its Subsidiaries on a Consolidated basis for such period plus each of the following with respect to the Company and its Subsidiaries on a Consolidated basis to the extent utilized in determining such net income: (a) Interest Expense and (b) provision for taxes.

“Environmental Laws” means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

“Event of Default” is defined in Section 11.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

“Excluded Transfer” is defined in Section 10.6(a)(ii).

“Fair Market Value” means, at any time and with respect to any property, the sale value of such property that would be realized in an arm’s-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell, respectively).

“Financing Documents” means, collectively, this Agreement, the Notes and the Guaranty Agreement.

“Fixed Charge Coverage Ratio” means, at any time in respect to any Debt with respect to which the Company or any Subsidiary is becoming liable, the ratio of (a) (i) EBIT in respect of the period comprised of the four consecutive fiscal quarters ended immediately prior to such time in respect of which financial statements have been delivered pursuant to Sections 7.1(a) or 7.1(b) plus (ii) Rent Expense for such period, plus (iii), if such period includes the fiscal quarter ended January 31, 2009, the 2008 Restructuring Charges (provided that this clause (iii) shall be applicable solely for determining compliance with Section 10.3(a)(iii) and shall not be applicable for any other purpose), to (b) (i) Rent Expense for such period plus (ii) Interest Expense for such period (assuming that the entire principal amount of such Debt was incurred on the first day of such period and remained outstanding at all times during such period and such Debt accrued interest at the rate as would have been accrued on such Debt during such period).

“Foreign Pension Plan” means any plan, fund or other similar program

(a) established or maintained outside of the United States of America by any one or more of the Company or any of its Subsidiaries primarily for the benefit of the employees (substantially all of whom are aliens not residing in the United States of America) of the Company or its Subsidiaries which plan, fund or other similar program provides for retirement income for such employees or results in a deferral of income for such employees in contemplation of retirement, and

(b) not otherwise subject to ERISA.

“Forms” is defined in Section 14.3.

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States of America.

“Governmental Authority” means

(a) the government of

(i) the United States of America or any state or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or that asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

“Guarantors” means each of Tiffany and Company, a New York corporation, Tiffany & Co. International, a Delaware corporation, Tiffany & Co. Japan Inc., a Delaware corporation, and each other Subsidiary of the Company which delivers a Guaranty or joinder agreement to the Guaranty Agreement, together with the respective successors and assigns of each of the foregoing entities, and **“Guarantor”** means any one of such Persons.

“Guaranty” means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including, without limitation, obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

“Guaranty Agreement” is defined in Section 4.6.

“Hazardous Material” means any and all pollutants, toxic or hazardous wastes or any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, prohibited or penalized by any applicable law (including, without limitation, asbestos, urea formaldehyde foam insulation and polychlorinated biphenyls).

“holder” means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

“Hostile Tender Offer” means, with respect to the use of proceeds of any Note, any offer to purchase, or any purchase of, shares of capital stock of any corporation or equity interests in any other entity, or securities convertible into or representing the beneficial ownership of, or rights to acquire, any such shares or equity interests, if such shares, equity interests, securities or rights are of a class which is publicly traded on any securities exchange or in any over-the-counter market, other than purchases of such shares, equity interests, securities or rights representing less than 5% of the equity interests or beneficial ownership of such corporation or other entity for portfolio investment purposes, and such offer or purchase has not been duly approved by the board of directors of such corporation or the equivalent governing body of such other entity prior to the date on which the Company makes the Request for Purchase of such Note.

“Incorporated Provision” is defined in Section 10.7(a).

“Indebtedness” means, with respect to any Person, without duplication,

- (a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;
- (b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);
- (c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;
- (d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);
- (e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money);
- (f) Swaps of such Person; and
- (g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Without limitation of the foregoing, Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) to the extent such Person or its property remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

“Institutional Investor” means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 5% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

“Interest Expense” means, for any period, the interest expense of the Company and its Subsidiaries on a Consolidated basis in respect of such period.

“Judgment Currency” is defined in Section 15.2(b).

“Lien” means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

“Make-Whole Amount” is defined in Section 8.6.

“Material” means material in relation to the business, operations, affairs, financial condition, assets, properties or prospects of the Company and its Subsidiaries taken as a whole.

“Material Adverse Effect” means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or (b) the ability of the Obligors to perform their obligations under the Financing Documents, or (c) the validity or enforceability of any of the Financing Documents.

“MetLife” is defined in the introductory sentence of this Agreement.

“MetLife Affiliate” means (a) any corporation or other entity controlling, controlled by, or under common control with, MetLife and (b) any managed account or investment fund which is managed by MetLife or a MetLife Affiliate described in clause (a) of this definition. For purposes of this definition the terms “control”, “controlling” and “controlled” shall mean the ownership, directly or through subsidiaries, of a majority of a corporation’s or other Person’s Voting Stock or equivalent voting securities or interests.

“Multiemployer Plan” means any Plan that is a “multiemployer plan” (as such term is defined in section 4001(a)(3) of ERISA).

“Net Asset Sale Proceeds Amount” means, with respect to any Transfer of any property by any Person, an amount equal to the difference of

(a) the aggregate amount of the consideration (valued at the Fair Market Value of such consideration at the time of the consummation of such Transfer) received by such Person in respect of such Transfer, minus

(b) all ordinary and reasonable out-of-pocket costs and expenses actually incurred by such Person in connection with such Transfer.

“Notes” is defined in Section 1.

“Obligors” means the Company and each Guarantor, and **“Obligor”** means any one of such Persons.

“Officer’s Certificate” means a certificate of the Company executed on its behalf by a Senior Financial Officer or any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

“On-Going Business” means a distinct operating business, whether operated as a division of a larger business operation or operated independently, which, regardless of the form of legal entity, owns and operates the assets and has the liabilities of such business.

“Ordinary Course Transfer” is defined in Section 10.6(a)(i).

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

“Person” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

“Plan” means an “employee benefit plan” (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

“Preferred Stock” means any class of Capital Stock of a Person that is preferred over any other class of Capital Stock of such Person as to the payment of dividends or other equity distributions or the payment of any amount upon liquidation or dissolution of such Person.

“Priority Debt” means, at any time, without duplication, the sum of

(a) all then outstanding Debt of the Company or any Guarantor secured by any Lien on any property of the Company or any Subsidiary, other than any such Debt secured by Liens permitted by any one or more of clauses (a) through (f), inclusive, of Section 10.4, plus

(b) all then outstanding Debt of Subsidiaries (other than Debt of any Guarantor);

provided that Priority Debt shall not include (x) demand Debt of any Subsidiary owing solely to the Company or another Subsidiary, (y) Debt of any Subsidiary under any Guaranty by a Subsidiary which is a party to the Guaranty Agreement of the Debt of the Company or any other Subsidiary or (z) Debt of any Subsidiary under any of the agreements listed in Schedule 10.3.

“property” or “properties” means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

“PTE” is defined in Section 6.2(a).

“Purchasers” means each of the Purchasers identified on Schedule A as purchasers of the Notes.

“QPAM Exemption” is defined in Section 6.2(d).

“Qualified Institutional Buyer” means any Person who is a “qualified institutional buyer” within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

“Reinvested Transfer” is defined in Section 10.6(b)(i).

“Rent Expense” means, for any period, the rent expense of the Company and its Subsidiaries under all operating leases on a Consolidated basis in respect of such period.

“Required Holders” means, at any time, the holder or holders of at least 66-2/3% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company, any Subsidiary or any of their respective Affiliates).

“Responsible Officer” means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

“Securities Act” means the Securities Act of 1933, as amended from time to time.

“Senior Debt” means the Notes and any Debt of the Company or its Subsidiaries that by its terms is not in any manner subordinated in right of payment to any other unsecured Debt of the Company or any Subsidiary.

“Senior Financial Officer” means the chief financial officer, senior vice president-finance, principal accounting officer or treasurer of the Company.

“Source” is defined in Section 6.2.

“Subsidiary” means, as to any Person, any corporation, partnership, limited liability company, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a “Subsidiary” is a reference to a Subsidiary of the Company.

“Substantial Portion” is defined in Section 10.6(c)(iii).

“Successor Corporation” is defined in Section 10.5(c)(i).

“Swap Reimbursement Amount” is defined in Section 8.7.

“Swaps” means, with respect to any Person, payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligation under any Swap shall be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

“Taxes” are defined in Section 5.9(b).

“Transfer” is defined in Section 10.6(c)(iv).

“Voting Stock” means, with respect to any corporation, any shares of stock of such corporation whose holders are entitled under ordinary circumstances to vote for the election of directors of such corporation (irrespective of whether at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

“Wholly-Owned Subsidiary” means, at any time, any Subsidiary of which (a) 100% of the Capital Stock of such Subsidiary is beneficially owned by any one or more of the Company and the Company’s other Wholly-Owned Subsidiaries at such time and (b) all of the legal title to such Capital Stock (other than Capital Stock held by third parties as may be required under the laws of any jurisdiction where such Subsidiary is organized or conducts business) is held by one or more of the Company and the Company’s other Wholly-Owned Subsidiaries at such time.

SCHEDULE 5.15

EXISTING INDEBTEDNESS AND LIENS

Excludes intercompany debt, which is consolidated in accordance with GAAP and does not include any amounts owed to third parties.

1. Indebtedness under the Credit Agreement of up to \$400,000,000, which may be incurred by the Company, and those of its direct and indirect subsidiaries that are or become parties thereto (unsecured; \$27,111,298 outstanding).
2. Guarantees provided by each of the Guarantors of the indebtedness described in Item 1 above (unsecured).
3. \$40,000,000 7.05% Series B Senior Notes due 2010 issued by the Company to certain purchasers thereof (unsecured; \$40,000,000 outstanding).
4. Guarantees provided by each of the Guarantors of the indebtedness described in Item 3 above (unsecured).
5. \$60,000,000 6.56% Series D Senior Notes due 2012 issued by the Company to certain purchasers thereof (unsecured; \$60,000,000 outstanding).
6. Guarantees provided by each of the Guarantors of the indebtedness described in Item 5 above (unsecured).
7. \$100,000,000 9.05% Series A Senior Notes due 2015 issued by the Company to certain purchasers thereof (unsecured; \$100,000,000 outstanding).
8. Guarantees provided by each of the Guarantors of the indebtedness described in Item 7 above (unsecured).
9. \$125,000,000 10% Series A Senior Notes due 2017 issued by the Company to certain purchasers thereof (unsecured; \$125,000,000 outstanding).
10. Guarantees provided by each of the Guarantors of the indebtedness described in Item 9 above (unsecured).
11. \$125,000,000 10% Series B Senior Notes due 2019 issued by the Company to certain purchasers thereof (unsecured; \$125,000,000 outstanding).
12. Guarantees provided by each of the Guarantors of the indebtedness described in Item 11 above (unsecured).
13. ¥5,000,000,000 4.50% Loan due 2011 from American Family Life Assurance Company of Columbus, Japan Branch (unsecured; ¥5,000,000,000 outstanding).

14. Guaranty provided by the Company of the indebtedness described in Item 13 above (unsecured).
15. \$1,000,000 uncommitted line of credit provided to Tiffany-Brasil Ltda. by Banco ABN AMRO Real S.A. (unsecured; Zero outstanding).
16. Guaranty provided by the Company of the indebtedness described in Item 15 above (unsecured).
17. \$1,000,000 uncommitted line of credit provided to Tiffany-Importacao e Comercio de Joias Ltda. by Banco ABN AMRO Real S.A. (unsecured; Zero outstanding).
18. Guaranty provided by the Company of the indebtedness described in Item 17 above (unsecured).
19. Forward exchange yen contracts, including those arising under that certain Foreign Exchange and Options Master Agreement dated as of March 28, 1997, by and between The Bank of New York and Tiffany and Company ("FEOMA-1") (unsecured) and that certain Foreign Exchange and Option Master Agreement dated as of March 28, 1997, by and between The Bank of New York and Tiffany & Co. International ("FEOMA-2") (unsecured; Zero outstanding).
20. Other foreign exchange transactions under the Company's Foreign Currency Hedging Program and commodity hedges (unsecured; Zero outstanding).
20. Guaranty provided by Tiffany & Co. International of the indebtedness arising under FEOMA-1 (unsecured).
21. Guaranty provided by Tiffany and Company of the indebtedness arising under FEOMA-2 (unsecured).
22. Master Swap Agreement dated as of July 18, 2002 and the Schedule to the Master Agreement dated as of July 18, 2002 between Tiffany & Co. and Lehman Brothers Special Financing Inc.
23. Guaranty provided by Tiffany & Co. International of the indebtedness arising from item 22 above.
24. Guaranty provided by Tiffany & Co. Japan Inc. of the indebtedness arising from item 22 above.
25. Guaranty provided by Tiffany and Company of the indebtedness arising from item 22 above.
26. \$60,000,000 Interest Rate Swap between Lehman Brothers Special Financing Inc. and Tiffany & Co. beginning July 18, 2002 and terminating July 19, 2012.

27. USD Equivalent \$10,000,000 USD/RMB Credit Line provided to Tiffany & Co. (Shanghai) Commercial Company Limited by Mizuho Corporate Bank (China) Ltd. (unsecured; USD equivalent \$9,600,000 outstanding).
28. Guaranty provided by the Company of the indebtedness described in Item 27 above (unsecured).
29. ZAR 10,000,000 Overdraft Line provided to Rand Precision Cut Diamonds (PTY) by Nedbank Limited (unsecured; ZAR Zero outstanding).
30. €600,000 Guarantee Credit Facility provided to Tiffany and Company by Dresdner Bank AG (unsecured; Euro 600,000 outstanding).
31. Various letters of credit issued to Subsidiaries of the Company (\$19,266,840 aggregate outstanding).
32. USD Equivalent \$10,000,000 USD/RMB Credit Line provided to Tiffany & Co. (Shanghai) Commercial Company Limited by Standard Chartered Bank (China) Ltd. Shanghai Branch (unsecured; USD equivalent \$2,213,670 outstanding).
33. Guaranty provide by the Company of the indebtedness described in Item 32 above (unsecured).
34. USD Equivalent \$5,000,000 USD/RMB Credit Line provided to Tiffany & Co. (Shanghai) Commercial Company Limited by Bank of America N.A. Shanghai Branch (unsecured; USD equivalent \$5,000,000 outstanding).
35. Guaranty provide by the Company of the indebtedness described in Item 34 above (unsecured).
36. USD Equivalent \$1,000,000 USD/RMB Credit Line provided to Laurelton Diamonds (Xi'an) Limited by Standard Chartered Bank (China) Ltd. Shanghai Branch (unsecured; USD equivalent \$295,156 outstanding).
37. Guaranty provide by the Company of the indebtedness described in Item 36 above (unsecured).
38. \$60,000,000 Interest Rate Swap between Tiffany & Co. and Mizuho Corporate Bank, Ltd., U.S. Bank, National Association, and Wachovia Bank, National Association beginning July 21, 2019 and terminating July 19, 2012.
39. Master Swap Agreement dated as of October 7, 2008 and the Schedule to the Master Agreement dated as of October 7, 2008 between Tiffany & Co. and Mizuho Corporate Bank, Ltd.
40. Master Swap Agreement dated as of July 29, 2009 and the Schedule to the Master Agreement dated as of July 29, 2009 between Tiffany & Co. and U.S. Bank, National Association.

41. Master Swap Agreement dated as of July 21, 2009 and the Schedule to the Master Agreement dated as of July 21, 2009 between Tiffany & Co. and Wachovia Bank, National Association.

***Stated principal amounts outstanding are as of July 31, 2010 unless stated otherwise.**

SCHEDULE 10.7

INCORPORATED PROVISIONS

(a) Until a Credit Modification shall have occurred in respect of such term, the following new term shall be added to Schedule B of this Agreement in proper alphabetical order:

“Consolidated Adjusted Net Worth” means, as of any date, (a) total stockholders’ equity of the Company and its Subsidiaries on a Consolidated basis on such date as determined in accordance with GAAP, plus (if negative) and minus (if positive) (b) accumulated other comprehensive loss (gain), net of tax, plus (c) the cumulative amount for the period commencing on February 1, 2009 and ending on such date (or, if such date is not a fiscal quarter end date, the immediately preceding fiscal quarter end date) of non-recurring non-cash charges and expenses added back to Adjusted EBIT, net of taxes (other than 2008 Restructuring Charges), minus (d) the difference (if positive) between non-cash gains and non-cash losses for the period commencing on February 1, 2009 and ending on such date (or, if such date is not a fiscal quarter end date, the immediately preceding fiscal quarter end date).

(b) Until a Credit Modification shall have occurred in respect of such term, the following new term shall be added to Schedule B of this Agreement in proper alphabetical order:

“Adjusted EBIT” means, for any four fiscal quarter period of the Company (the **“calculation period”**), (a) the net earnings of the Company and its Subsidiaries on a Consolidated basis for such calculation period as determined in accordance with GAAP, *plus* (b) to the extent deducted in the calculation of such net earnings for such calculation period, the sum, without duplication, of the following: (i) Interest Expense and financing costs, (ii) provision for income taxes, (iii) commencing with the calculation period that includes the fiscal quarter of the Company ending January 31, 2010, non-recurring non-cash charges and expenses in an aggregate amount not exceeding \$100,000,000 (provided that, in determining the amount of non-recurring non-cash charges and expenses for any fiscal year, the amount thereof for such fiscal year shall be limited to an amount not exceeding \$100,000,000), and (iv) if such calculation period includes the fiscal quarter of the Company ending January 31, 2009, the 2008 Restructuring Charges, *minus* (c) to the extent included in the calculation of such net earnings for such calculation period, non-recurring non-cash gains.

(c) Until a Credit Modification shall have occurred in respect thereof, the following definition shall be substituted for the definition of “Priority Debt” in Schedule B of this Agreement:

“Priority Debt” means, at any time, without duplication, the sum of

(a) all then outstanding Debt of the Company or any Guarantor secured by any Lien on any property of the Company or any Subsidiary, other than any such Debt secured by Liens permitted by any one or more of clauses (a) through (f), (h) or (i), inclusive, of Section 10.4, plus

(b) all then outstanding Debt of Subsidiaries (other than Debt of any Guarantor or Consignment/Leasing Indebtedness up to an aggregate outstanding amount for the Company and the Subsidiaries on a Consolidated basis not exceeding at any time \$10,000,000);

provided that Priority Debt shall not include (x) demand Debt of any Subsidiary owing solely to the Company or another Subsidiary, (y) Debt of any Subsidiary under any Guaranty by a Subsidiary which is a party to the Guaranty Agreement of the Debt of the Company or any other Subsidiary or (z) Debt of any Subsidiary under any of the agreements listed in Schedule 10.3.

(d) Until a Credit Modification shall have occurred in respect of such term, the following new term shall be added to Schedule B of this Agreement in proper alphabetical order:

“Adjusted Debt” means, as of any date, the sum of (i) all Adjusted Indebtedness of the Company and its Subsidiaries on a Consolidated basis on such date and (ii) (x) Rent Expense for the four consecutive fiscal quarter period ended immediately prior to such date or then ending in respect of which financial statements have been delivered pursuant to Section 7.1(a) or 7.1(b) multiplied by six (6).

(e) Until a Credit Modification shall have occurred in respect of such term, the following new term shall be added to Schedule B of this Agreement in proper alphabetical order:

“Adjusted Indebtedness” means, as to any Person, at a particular time, all items of such Person which constitute, without duplication, (a) indebtedness for borrowed money or the deferred purchase price of Property (other than trade payables and accrued expenses incurred in the ordinary course of business), (b) indebtedness evidenced by notes, bonds, debentures or similar instruments, (c) obligations with respect to any conditional sale or other title retention agreement, (d) indebtedness arising under acceptance facilities and the amount available to be drawn under all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder to the extent such Person shall not have reimbursed the issuer in respect of the issuer’s payment of such drafts, (e) liabilities secured by any Lien on any Property owned by such Person even though such Person shall not have assumed or otherwise become liable for the payment thereof (other than carriers’, warehousemen’s, mechanics’, repairmen’s or other like nonconsensual Liens arising in the ordinary course of business), (f) that portion of any obligation of such Person, as lessee, which in accordance with GAAP is required to be capitalized on the balance sheet of such Person, and (g) Guaranties of such Person of Adjusted Indebtedness of others.

(f) Until a Credit Modification shall have occurred in respect of such term, the following new term shall be added to Schedule B of this Agreement in proper alphabetical order:

“Leverage Ratio” means, as of any date, the ratio of (i) Adjusted Debt on such date to (ii) EBITDAR for the four consecutive fiscal quarter period ended immediately prior to such date or then ending in respect of which financial statements have been delivered pursuant to Section 7.1(a) or 7.1(b).

(g) Until a Credit Modification shall have occurred in respect of such term, the following new term shall be added to Schedule B of this Agreement in proper alphabetical order:

“Consignment/Leasing Indebtedness” means Indebtedness incurred in the ordinary course of business of the Company or any Subsidiary to any Person resulting from the supplying by such Person to the Company or such Subsidiary with precious metals, precious gems or jewelry on a consignment or leased basis, which Indebtedness, if secured, is secured by a Lien only on such property.

(h) Until a Credit Modification shall have occurred in respect of such term, the following new term shall be added to Schedule B of this Agreement in proper alphabetical order:

“EBITDAR” means, for any four fiscal quarter period of the Company (the **“calculation period”**), (a) the net earnings of the Company and its Subsidiaries on a Consolidated basis for such calculation period as determined in accordance with GAAP, plus (b) to the extent deducted in the calculation of such net earnings for such calculation period, the sum, without duplication, of the following: (i) Interest Expense and financing costs, (ii) provision for income taxes, (iii) depreciation, (iv) amortization, (v) Rent Expense, (vi) commencing with the calculation period that includes the fiscal quarter of the Company ending January 31, 2010, non-recurring non-cash charges and expenses in an aggregate amount not exceeding \$100,000,000 (provided that, in determining the amount of nonrecurring non-cash charges and expenses for any fiscal year, the amount thereof for such fiscal year shall be limited to an amount not exceeding \$100,000,000), and (vii) if such calculation period includes the fiscal quarter of the Company ending January 31, 2009, the 2008 Restructuring Charges, minus (c) to the extent included in the calculation of such net earnings for such calculation period, non-recurring non-cash gains.

(i) Until a Credit Modification shall have occurred in respect of such term, the following new term shall be added to Schedule B of this Agreement in proper alphabetical order:

“Adjusted Fixed Charge Coverage Ratio” means, as of any date, the ratio of (a)(i) Adjusted EBIT for the four consecutive fiscal quarter period ended immediately prior to such date or then ending in respect of which financial statements have been delivered pursuant to Section 7.1(a) or 7.1(b) plus (ii) Rent Expense for such period to (b)(i) Rent Expense for such period plus (ii) Interest Expense for such period.

(j) Until a Credit Modification shall have occurred in respect thereof, the following new Section 9.7 shall be added to this Agreement in the appropriate numerical order:

9.7 Leverage Ratio.

At all times the Company will maintain a Leverage Ratio of not greater than:

Period	Leverage Ratio
From and including July 31, 2009, to, but excluding, January 31, 2011	3.25:1.00
From and including January 31, 2011, and all times thereafter	3.00:1.00

(k) Until a Credit Modification shall have occurred in respect thereof, the following new Section 9.8 shall be added to this Agreement in the appropriate numerical order:

9.8 Consolidated Adjusted Net Worth.

At all times the Company will maintain a Consolidated Adjusted Net Worth of not less than:

Period	Consolidated Adjusted Net Worth
From and including July 31, 2009, to, but excluding, January 31, 2011	\$1,400,000,000
From and including January 31, 2011, and all times thereafter	\$1,500,000,000

(l) Until a Credit Modification shall have occurred in respect thereof, the following new Section 9.9 shall be added to this Agreement in the appropriate numerical order:

9.9 Adjusted Fixed Charge Coverage Ratio.

At all times the Company will maintain an Adjusted Fixed Charge Coverage Ratio of not less than:

Period	Adjusted Fixed Charge Coverage Ratio
From and including July 31, 2009, to, but excluding, January 31, 2011	2.00 : 1.00
From and including January 31, 2011, and all times thereafter	2.25 : 1.00

(m) Until a Credit Modification shall have occurred in respect thereof, the following new Sections 10.4(i) and 10.4(j) shall be substituted for Section 10.4(i) of this Agreement in the appropriate numerical order:

(i) **Consignment/Leasing Indebtedness Liens** -- Liens securing precious metals, precious gems or jewelry consigned or leased to the Company or any Subsidiary securing Consignment/Leasing Indebtedness up to an aggregate outstanding amount for the Company and the Subsidiaries on a Consolidated basis not exceeding at any time \$10,000,000; and

(j) **Other Liens** -- Liens securing Adjusted Debt of any Subsidiary and not otherwise permitted by clauses (a) through (i) inclusive, of this Section 10.4 (other than Liens securing Debt under the Credit Agreement), but only to the extent that the aggregate principal amount of Debt outstanding secured by such Liens does not exceed 10% of Consolidated Adjusted Net Worth; *provided that* (i) such Debt is permitted to be incurred under Section 10.3(b) and (ii) to the extent such Liens secure Debt in an aggregate amount in excess of 5% of Consolidated Adjusted Net Worth, the Liens securing the amount of such Debt in excess of 5% of Consolidated Adjusted Net Worth (but not the Liens securing the Debt of 5% or less of Consolidated Adjusted Net Worth) shall also equally and ratably secure the Notes.

(n) Until a Credit Modification shall have occurred in respect thereof, Section 11(f)(ii) of this Agreement is amended to delete "\$25,000,000" and replace it with "\$20,000,000."

[FORM OF NOTE]

TIFFANY & CO.

1.72% SENIOR NOTE DUE SEPTEMBER 1, 2016

No. R-[]

[DATE]

¥ []

PPN: 886547 D*6

FOR VALUE RECEIVED, the undersigned, **TIFFANY & CO.** (herein called the "Company"), a corporation organized and existing under the laws of the State of Delaware, hereby promises to pay to [], or registered assigns, the principal sum of [] **YEN** (¥ []) on September 1, 2016, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 1.72% *per annum* from the date hereof, payable semi annually on the 1st day of March and September in each year, commencing with the March or September next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount and Swap Reimbursement Amount (as each of such terms are defined in the Note Agreement referred to below), payable quarterly as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate *per annum* from time to time equal to the greater of (i) 3.72% or (ii) 2.0% over the rate of interest publicly announced from time to time by JPMorgan Chase Bank (or its successor) at its headquarters as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount and Swap Reimbursement Amount with respect to this Note are to be made in Japanese Yen (or, as specified in Section 8.6 and Section 8.7 of the Note Agreement, in U.S. Dollars) at the address shown in the register maintained by the Company for such purpose or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Agreement referred to below.

This Note is one of a series of the 1.72% Senior Notes due September 1, 2016 (herein called the "Notes") of the Company in the aggregate principal amount of ¥10,000,000,000 issued pursuant to that certain Note Purchase Agreement, dated as of September 1, 2010, (as from time to time amended, the "Note Agreement"), between the Company and the respective purchasers named therein. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Agreement and (ii) to have made the representation set forth in Section 6.2 of the Note Agreement. Capitalized terms used herein, unless otherwise specified herein, shall have the respective meanings specified in the Note Agreement.

This Note is a registered Note and, as provided in the Note Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary. This Note is not a "negotiable instrument" within the meaning of §3-104 of the Uniform Commercial Code as adopted in the State of New York.

This Note and the holder hereof are entitled, equally and ratably with the holders of all other Notes, to the benefits provided by the Guaranty Agreement, as to which reference is hereby made for the statement thereof.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Agreement, but not otherwise.

If an Event of Default, as defined in the Note Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount and Swap Reimbursement Amount) and with the effect provided in the Note Agreement.

THIS NOTE AND THE NOTE AGREEMENT ARE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

TIFFANY & CO.

By: _____

Name:

Title:

FORM OF GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT, dated as of September 1, 2010 (as amended or restated from time to time, this “*Guaranty*”), by **Tiffany and Company**, a New York corporation, **Tiffany & Co. International**, a Delaware corporation and **Tiffany & Co. Japan Inc.**, a Delaware corporation (together with their respective successors and assigns, the “*Guarantors*”) is in favor of each of the Noteholders (as such term is hereinafter defined).

1. PRELIMINARY STATEMENT

(a) Tiffany & Co., a Delaware corporation (together with its successors and assigns, the “**Company**”), has authorized the issuance of its (i) 1.72% Senior Notes due September 1, 2016 in the aggregate principal amount of Ten Billion Yen (¥10,000,000,000) (the “**Notes**”), pursuant to a Note Purchase Agreement, of even date herewith (as may be amended or restated from time to time, the “**Note Purchase Agreement**”), between the Company and the respective purchasers listed on Schedule A attached thereto (the “**Purchasers**”).

(b) In order to induce the Purchasers to purchase the Notes from the Company, the Company has agreed that it will cause each Guarantor to guaranty unconditionally all of the obligations of the Company to pay principal of and interest and Make-Whole Amount and Swap Reimbursement Amount on the Notes and all other amounts payable by the Company under the terms of the Notes and the Note Purchase Agreement pursuant to the terms and provisions hereof.

(c) Each Guarantor and the Company are operated as part of one combined business group and are directly dependent upon each other for and in connection with their respective business activities and their respective financial resources. Each Guarantor will receive direct and indirect economic, financial and other benefits from the indebtedness incurred under the Note Purchase Agreement and the Notes by the Company, and under this Guaranty by each Guarantor, and the incurrence of such indebtedness is in the best interests of each Guarantor. The Company and each Guarantor have induced the Purchasers to purchase the Notes based on the consolidated financial condition of each Guarantor and the Company.

(d) All acts and proceedings required by law and by the certificate of incorporation and bylaws of each Guarantor necessary to constitute this Guaranty a valid and binding agreement for the uses and purposes set forth herein in accordance with its terms have been done and taken, and the execution and delivery hereof has been in all respects duly authorized.

2. GUARANTY AND OTHER RIGHTS AND UNDERTAKINGS**2.1. Guaranteed Obligations.**

Each Guarantor, in consideration of the execution and delivery of the Note Purchase Agreement, the purchase of the Notes by the Purchasers and other consideration, hereby

irrevocably, unconditionally, absolutely, jointly and severally guarantees, on a continuing basis, to each holder of Notes (each such holder being referred to herein as a “*Noteholder*” and, collectively, as the “*Noteholders*”), whether such Note has been issued, is being issued on the date hereof or is hereafter issued in compliance with the provisions of the Note Purchase Agreement, as and for each Guarantor’s own debt, until final and indefeasible payment has been made in cash

(a) the due and punctual payment of the principal of and accrued and unpaid interest (including, without limitation, interest which otherwise may cease to accrue by operation of any insolvency law, rule, regulation or interpretation thereof) and Make-Whole Amount, if any, and Swap Reimbursement Amount, if any, and any other fees and expenses, on the Notes at any time outstanding and the due and punctual payment of all other amounts payable, and all other indebtedness owing, by the Company to the Noteholders under the Note Purchase Agreement and the Notes, in each case when and as the same shall become due and payable, whether at maturity, pursuant to optional prepayment, by acceleration or otherwise, all in accordance with the terms and provisions hereof and thereof, including, without limitation, overdue interest, indemnification payments and all reasonable costs and expenses incurred by the Noteholders in connection with enforcing any obligations of the Company under the Note Purchase Agreement and the Notes; it being the intent of each Guarantor that the guaranty set forth herein shall be a continuing guaranty of payment and not a guaranty of collection; and

(b) the prompt and complete payment, on demand, of any and all reasonable costs and expenses incurred by the Noteholders in connection with enforcing the obligations of such Guarantor hereunder, including, without limitation, the reasonable fees and disbursements of the Noteholders’ special counsel.

All of the obligations set forth in clauses (a) and (b) of this Section 2.1 are referred to herein as the “*Guarantied Obligations*” and the guaranty thereof contained herein is referred to herein as the “*Unconditional Guaranty*.” The Unconditional Guaranty is a primary, original and immediate obligation of each Guarantor and is an absolute, unconditional, continuing and irrevocable guaranty of payment and performance and shall remain in full force and effect until the full, final and indefeasible payment in cash of the Guarantied Obligations.

2.2. Performance Under the Note Purchase Agreement.

In the event the Company fails to pay, perform, keep, observe, or fulfill any Guarantied Obligation specified in clause (a) of Section 2.1 in the manner provided in the Notes or in the Note Purchase Agreement, each Guarantor shall cause forthwith to be paid the moneys in respect of which such failure has occurred in accordance with the terms and provisions of the Note Purchase Agreement and the Notes. In furtherance of the foregoing, if an Event of Default shall exist, the Guarantied Obligations shall, in the manner and subject to the limitations provided in the Note Purchase Agreement for the acceleration of the Notes, forthwith become due and payable without notice, regardless of whether the acceleration of the Notes shall be stayed, enjoined, delayed or otherwise prevented.

2.3. Releases.

Each Guarantor consents and agrees that, without notice to or by any Guarantor and without impairing, releasing, abating, deferring, suspending, reducing, terminating or otherwise affecting the obligations of each Guarantor hereunder, each Noteholder, in the manner provided herein, by action or inaction, may:

(a) compromise or settle, renew or extend the period of duration or the time for the payment, or discharge the performance of, or may refuse to, or otherwise not, enforce, or may, by action or inaction, release all or any one or more parties to, any one or more of the Notes, the Note Purchase Agreement, any other guaranty thereof or agreement or instrument related thereto or hereto;

(b) assign, sell or transfer, or otherwise dispose of, any one or more of the Notes;

(c) grant waivers, extensions, consents and other indulgences to the Company or any other Guarantor or guarantors in respect of any one or more of the Notes, the Note Purchase Agreement, any other guaranty thereof or any agreement or instrument related thereto or hereto;

(d) amend, modify or supplement in any manner and at any time (or from time to time) any one or more of the Notes, the Note Purchase Agreement, any other guaranty thereof or any agreement or instrument related hereto;

(e) release or substitute any one or more of the endorsers or guarantors of the Guaranteed Obligations whether parties hereto or not; and

(f) sell, exchange, release, surrender or enforce, by action or inaction, any property at any time pledged or granted as security in respect of the Guaranteed Obligations, whether so pledged or granted by the Company, each Guarantor or another guarantor of the Company's obligations under the Note Purchase Agreement, the Notes, any other guaranty thereof or any agreement or instrument related hereto.

2.4. Waivers.

To the fullest extent permitted by law, each Guarantor does hereby waive:

(a) any notice of:

(i) acceptance of the Unconditional Guaranty;

(ii) any purchase of the Notes under the Note Purchase Agreement, or the creation, existence or acquisition of any of the Guaranteed Obligations, or the amount of the Guaranteed Obligations, subject to each Guarantor's rights to make inquiry of each Noteholder to ascertain the amount of the Guaranteed Obligations owing to such Noteholder at any reasonable time;

(iii) any adverse change in the financial condition of the Company or any other fact that might increase, expand or affect each Guarantor's risk hereunder;

(iv) presentment for payment, demand, protest, and notice thereof as to the Notes or any other instrument;

(v) any Default or Event of Default; and

(vi) any notice or demand of any kind or nature whatsoever to which each Guarantor might otherwise be entitled (except if such notice or demand is specifically otherwise required to be given to such Guarantor pursuant to the terms of this Guaranty);

(b) any right, by statute or otherwise, to require any Noteholder to institute suit against the Company or any other guarantor or to exhaust the rights and remedies of any Noteholder against the Company or any other guarantor, each Guarantor being bound to the payment of each and all Guaranteed Obligations, whether now existing or hereafter accruing, as fully as if such Guaranteed Obligations were directly owing to the Noteholders by each Guarantor;

(c) the benefit of any stay (except in connection with a pending appeal), valuation, appraisal, redemption or extension law now or at any time hereafter in force which, but for this waiver, might be applicable to any sale of property of any Guarantor made under any judgment, order or decree based on this Guaranty, and each Guarantor covenants that it will not at any time insist upon or plead, or in any manner claim or take the benefit or advantage of, such law; and

(d) any defense or objection to the absolute, primary, continuing nature, or the validity, enforceability or amount of the Unconditional Guaranty, including, without limitation, any defense based on (and the primary, continuing nature, and the validity, enforceability and amount of the Unconditional Guaranty shall be unaffected by), any of the following:

(i) any change in future conditions;

(ii) any change of law;

(iii) any invalidity or irregularity with respect to the issuance or assumption of any obligations (including, without limitation, the Note Purchase Agreement, the Notes or any agreement or instrument related hereto) by the Company or any other Person;

(iv) the execution and delivery of any agreement at any time hereafter (including, without limitation, the Note Purchase Agreement, the Notes or any agreement or instrument related hereto) of the Company or any other Person;

- (v) the genuineness, validity, regularity or enforceability of any of the Guaranteed Obligations;
- (vi) any default, failure or delay, willful or otherwise, in the performance of any obligations by the Company or any Guarantor;
- (vii) any creditors' rights, bankruptcy, receivership or other insolvency proceeding of the Company or any Guarantor, or sequestration or seizure of any property of the Company or any Guarantor, or any merger, consolidation, reorganization, dissolution, liquidation or winding up or change in corporate constitution or corporate identity or loss of corporate identity of the Company or any Guarantor;
- (viii) any disability or other defense of the Company or any Guarantor to payment and performance of all Guaranteed Obligations other than the defense that the Guaranteed Obligations shall have been fully and finally performed and indefeasibly paid in cash;
- (ix) the cessation from any cause whatsoever of the liability of the Company or any Guarantor in respect of the Guaranteed Obligations (other than as provided herein), and any other defense that any Guarantor may otherwise have against the Company or any Noteholder;
- (x) impossibility or illegality of performance on the part of the Company or any Guarantor under the Note Purchase Agreement, the Notes or this Guaranty;
- (xi) any change of the circumstances of the Company, any Guarantor or any other Person, whether or not foreseen or foreseeable, whether or not imputable to the Company or any Guarantor, including, without limitation, impossibility of performance through fire, explosion, accident, labor disturbance, floods, droughts, embargoes, wars (whether or not declared), civil commotions, acts of God or the public enemy, delays or failure of suppliers or carriers, inability to obtain materials, economic or political conditions, or any other causes affecting performance, or any other force majeure, whether or not beyond the control of the Company or any Guarantor and whether or not of the kind hereinbefore specified;
- (xii) any attachment, claim, demand, charge, Lien, order, process, encumbrance or any other happening or event or reason, similar or dissimilar to the foregoing, or any withholding or diminution at the source, by reason of any taxes, assessments, expenses, indebtedness, obligations or liabilities of any character, foreseen or unforeseen, and whether or not valid, incurred by or against any Person, or any claims, demands, charges, Liens or encumbrances of any nature, foreseen or unforeseen, incurred by any Person, or against any sums payable under the Note Purchase Agreement or the Notes or any agreement or instrument related hereto so that such sums would be rendered inadequate or would be unavailable to make the payment as herein provided;

(xiii) any change in the ownership of the equity securities of the Company, any Guarantor or any other Person liable in respect of the Notes; or

(xiv) any other action, happening, event or reason whatsoever that shall delay, interfere with, hinder or prevent, or in any way adversely affect, the performance by the Company or any Guarantor of any of their obligations under the Note Purchase Agreement, the Notes or this Guaranty.

2.5. Certain Waivers of Subrogation, Reimbursement and Indemnity.

Each Guarantor hereby acknowledges and agrees that:

(a) no Guarantor shall have any right of subrogation, contribution, reimbursement, or indemnity whatsoever in respect of the Guaranteed Obligations, and no right of recourse to or with respect to any assets or property of the Company;

(b) no Guarantor will file any claims against the Company or the estate of the Company in the course of any proceeding under any applicable bankruptcy or insolvency law in respect of the rights referred to in this Section 2.5; and

(c) each holder of Notes may specifically enforce the provisions of this Section.

2.6. Indemnity.

As a separate, additional and continuing obligation, each Guarantor unconditionally and irrevocably undertakes and agrees with the Noteholders that, should the Guaranteed Obligations not be recoverable from any Guarantor for any reason whatsoever (including, without limitation, by reason of any provision of the Note Purchase Agreement, the Notes or any other agreement or instrument executed in connection therewith being or becoming void, unenforceable or otherwise invalid under any applicable law) then, notwithstanding any knowledge thereof by any Noteholder at any time, each Guarantor as sole, original and independent obligor, upon demand by the Noteholders, will make payment of the Guaranteed Obligations to the Noteholders by way of a full indemnity in such currency and otherwise in such manner as is provided in the Note Purchase Agreement and the Notes.

2.7. Invalid Payments.

Each Guarantor further agrees that, to the extent the Company makes a payment or payments to any Noteholder, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required, for any of the foregoing reasons or for any other reason, to be repaid or paid over to a custodian, trustee, receiver or any other party or officer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, state or federal law, or any common law or equitable cause, then to the extent of such payment or repayment, the obligation or part thereof intended to be satisfied shall be revived and continued in full force and effect as if said payment had not been made and each Guarantor shall be primarily liable for such obligation.

2.8. Marshaling.

Each Guarantor consents and agrees that each Noteholder, and each Person acting for the benefit of each Noteholder, shall be under no obligation to marshal any assets in favor of any Guarantor or against or in payment of any or all of the Guaranteed Obligations.

2.9. Subordination, Subrogation, Etc.

Each Guarantor agrees that any present or future indebtedness, obligations or liabilities of the Company to any Guarantor shall be fully subordinate and junior in right and priority of payment to any present or future indebtedness, obligations or liabilities of the Company to the Noteholders. Each Guarantor waives any right of subrogation to the rights of the Noteholders against the Company or any other Person obligated for payment of the Guaranteed Obligations and any right of reimbursement, contribution or indemnity whatsoever (including, without limitation, any such right as against any other guarantor) arising or accruing out of any payment that any Guarantor may make pursuant to this Guaranty, and any right of recourse to security for the debts and obligations of the Company, unless and until the entire amount of the Guaranteed Obligations shall have been paid in full.

2.10. Subordination of Affiliate Obligations.

In the event that, for any reason whatsoever, the Company or a Person obligated in respect of the Guaranteed Obligations pursuant to another guaranty, is now or hereafter becomes indebted to any Guarantor in any manner (an "*Affiliate Obligation*"), such Guarantor agrees that the amount of such Affiliate Obligation, interest thereon, and all other amounts due with respect thereto, shall, at all times during the existence of a Default or an Event of Default, be subordinate as to time of payment and in all other respects to all the Guaranteed Obligations, and that such Guarantor shall not be entitled to enforce or receive payment thereof until all sums then due and owing to the Noteholders in respect of the Guaranteed Obligations shall have been paid in full, except that such Guarantor may enforce any obligations in respect of any such Affiliate Obligation owing to such Guarantor from the Company or such indebted Person so long as all proceeds in respect of any recovery from such enforcement, to the extent of all amounts owing with respect to this Guaranty, shall be held by such Guarantor in trust for the benefit of the Noteholders. If any other payment, other than pursuant to the immediately preceding sentence, shall have been made to any Guarantor by the Company or such indebted Person on any such Affiliate Obligation during any time that a Default or an Event of Default exists and there are Guaranteed Obligations outstanding, such Guarantor shall hold in trust all such payments, to the extent of all amounts owing with respect to this Guaranty, for the benefit of the Noteholders.

2.11. Set-off, Counterclaim or Other Deductions.

Except as otherwise required by law, each payment by any Guarantor shall be made without set-off, counterclaim or other deduction.

2.12. Election by Guarantors to Perform Obligations.

Any election by any Guarantor to pay or otherwise perform any of the obligations of the Company under the Notes, the Note Purchase Agreement or any agreement or instrument related hereto shall not release the Company, such Guarantor or any other guarantor from such obligations or any of such Person's other obligations under the Notes, the Note Purchase Agreement or any agreement or instrument related hereto.

2.13. No Election of Remedies by Noteholders.

Each Noteholder shall, individually or collectively, have the right to seek recourse against any Guarantor to the fullest extent provided for herein for such Guarantor's obligations under this Guaranty in respect of the Guaranteed Obligations. No election to proceed in one form of action or proceeding, or against any party, or on any obligation, shall constitute a waiver of such Noteholder's right to proceed in any other form of action or proceeding or against other parties unless such Noteholder has expressly waived such right in writing. Specifically, but without limiting the generality of the foregoing, no action or proceeding by any Noteholder against the Company or any Guarantor under any document or instrument evidencing obligations of the Company or any Guarantor to such Noteholder shall serve to diminish the liability of any Guarantor under this Guaranty, except to the extent that such Noteholder finally and unconditionally shall have realized payment by such action or proceeding.

2.14. Separate Action; Other Enforcement Rights.

Each of the rights and remedies granted under this Guaranty to each Noteholder in respect of the Notes held by such Noteholder may be exercised by such Noteholder with notice by such Noteholder to, but without the consent of or any other action by, any other Noteholder; *provided*, however, that the maturity of the Notes may only be accelerated in accordance with the provisions of the Note Purchase Agreement or operation of law. Each Noteholder may proceed to protect and enforce the Unconditional Guaranty by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement contained herein or in execution or aid of any power herein granted or for the recovery of judgment for the obligations hereby guaranteed or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

2.15. Noteholder Set-off.

Each Noteholder shall have, to the fullest extent permitted by law and this Guaranty, a right of set-off against any and all credits and any and all other property of any or all of the Guarantors or any other Person, now or at any time whatsoever, with or in the possession of, such Noteholder, or anyone acting for such Noteholder, to ensure the full performance of any and all obligations of each Guarantor hereunder.

2.16. Delay or Omission; No Waiver.

No course of dealing on the part of any Noteholder and no delay or failure on the part of any such Person to exercise any right hereunder shall impair such right or operate as a waiver of such right or otherwise prejudice such Person's rights, powers and remedies hereunder. Every right and remedy given by the Unconditional Guaranty or by law to any Noteholder may be exercised from time to time as often as may be deemed expedient by such Person.

2.17. Restoration of Rights and Remedies.

If any Noteholder shall have instituted any proceeding to enforce any right or remedy under the Unconditional Guaranty or under any Note held by such Noteholder, and such proceeding shall have been dismissed, discontinued or abandoned for any reason, or shall have been determined adversely to such Noteholder, then and in every such case each such Noteholder, the Company and each Guarantor shall, except as may be limited or affected by any determination (including, without limitation, any determination in connection with any such dismissal) in such proceeding, be restored severally and respectively to its respective former positions hereunder and thereunder, and thereafter, subject as aforesaid, the rights and remedies of such Noteholders shall continue as though no such proceeding had been instituted.

2.18. Cumulative Remedies.

No remedy under this Guaranty, the Note Purchase Agreement or the Notes is intended to be exclusive of any other remedy, but each and every remedy shall be cumulative and in addition to any and every other remedy given pursuant to this Guaranty, the Note Purchase Agreement or the Notes.

2.19. Notices in Respect of Payments.

If any Guarantor shall pay to any Noteholder any amount in respect of the Guaranteed Obligations, such Guarantor, within five (5) Business Days after making such payment, shall provide notice of such payment to each other Noteholder.

2.20. Limitation on Guaranteed Obligation.

Notwithstanding anything in Section 2.1 or elsewhere in this Guaranty, the Note Purchase Agreement or the Notes to the contrary, the obligations of each Guarantor to pay the Guaranteed Obligations hereunder shall at each point in time be limited to an aggregate amount equal to the greatest amount that would not result in such obligations being subject to avoidance, or otherwise result in such obligations being unenforceable, at such time under applicable law (including, without limitation, to the extent, and only to the extent, applicable to each Guarantor, Section 548 of the Bankruptcy Code of the United States of America and any comparable provisions of the law of any other jurisdiction, any capital preservation law of any jurisdiction and any other law of any jurisdiction that at such time limits the enforceability of the obligations of such Guarantor hereunder).

2.21. Confirmation of Guaranty.

Promptly following the request of any holder of Notes in connection with any issuance of additional Notes pursuant to the terms of the Note Purchase Agreement, each Guarantor agrees to confirm in writing that the Unconditional Guaranty hereunder extends to the obligations of the Company evidenced by such newly issued Notes, and that such Notes are Guaranteed Obligations hereunder.

3. INTERPRETATION OF THIS GUARANTY

3.1. Terms Defined.

For purposes of this Guaranty, the following terms have the meanings specified below or provided for in the Section of this Guaranty referred to immediately following such term (such definitions to be equally applicable to both the singular and plural forms of the terms defined). Capitalized terms used herein and not otherwise defined herein have the meaning specified in the Note Purchase Agreement.

Affiliate Obligation □ Section 2.10.

Company □ Section 1(a).

Guaranteed Obligations □ Section 2.1.

Guarantors □ has the meaning assigned to such term in the introductory paragraph hereof.

Note Purchase Agreement □ Section 1(a).

Noteholder □ Section 2.1.

Notes □ Section 1(a).

Person □ means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

Purchasers □ Section 1(a).

Unconditional Guaranty □ Section 2.1.

3.2. Section Headings and Construction.

(a) *Section Headings, etc.* The titles of the Sections appear as a matter of convenience only, do not constitute a part hereof and shall not affect the construction hereof. The words “herein,” “hereof,” “hereunder” and “hereto” refer to this Guaranty as a whole and not to any particular Section or other subdivision.

(b) *Construction.* Each covenant contained herein shall be construed (absent an express contrary provision herein) as being independent of each other covenant contained herein, and compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with one or more other covenants.

4. WARRANTIES AND REPRESENTATIONS

Guarantors warrant and represent, as of the date hereof, that each of the warranties and representations made by the Company in Section 5 of the Note Purchase Agreement with respect to each Guarantor are true with respect to each Guarantor on the date hereof.

5. GENERAL COVENANTS

Each Guarantor covenants and agrees that on and after the date hereof and so long as any of the Guaranteed Obligations shall be outstanding:

5.1. Undertakings in the Note Purchase Agreement.

Each Guarantor will comply with each of the undertakings of the Company in the Note Purchase Agreement in respect of which the Company undertakes to cause such Guarantor to comply with such undertakings, as if such undertakings (as they apply to the Guarantors) were set forth at length herein as the undertakings of such Guarantor.

5.2. Payment of Notes and Maintenance of Offices.

Each Guarantor will punctually pay, or cause to be paid, all of the Guaranteed Obligations when due and all other payment obligations required of it hereunder and will maintain an office at its address as set forth pursuant to Section 6.3 where notices, presentations and demands in respect of this Guaranty may be made upon it. Such office will be maintained at such address until such time as such Guarantor shall notify the Noteholders of any change of location of such office.

5.3. Further Assurances.

Each Guarantor will cooperate with the Noteholders and execute such further instruments and documents as the Noteholders shall reasonably request to carry out, to the reasonable satisfaction of the Noteholders, the transactions contemplated by the Note Purchase Agreement, the Notes and this Guaranty.

6. MISCELLANEOUS

6.1. Successors and Assigns.

(a) Whenever any Guarantor or any of the parties to the Note Purchase Agreement is referred to, such reference shall be deemed to include the successors and assigns of such party, and all the covenants, promises and agreements contained in this Guaranty by or on behalf of such Guarantor shall bind the successors and assigns of such Guarantor and shall inure to the benefit of each of the Noteholders from time to time whether so expressed or not and whether or not an assignment of the rights hereunder shall have been delivered in connection with any assignment or other transfer of Notes.

(b) Each Guarantor agrees to take such action as may be reasonably requested by any Noteholder in connection with the purchase by such Noteholder or the transfer of the Notes of such Noteholder in accordance with the requirements of the Note Purchase Agreement in connection with providing an executed copy of this Guaranty to the new Noteholder or Noteholders of such Notes; *provided, however*, that no additional obligations of such Guarantor shall thereby be created (beyond what is provided by this Guaranty).

6.2. Partial Invalidity.

The unenforceability or invalidity of any provision or provisions hereof shall not render any other provision or provisions contained herein unenforceable or invalid.

6.3. Communications.

All communications hereunder shall be in writing, shall be delivered in the manner required by the Note Purchase Agreement, and shall be addressed, if to any Guarantor, at the applicable address set forth on Annex 1 hereto, and if to any of the Noteholders:

(a) if such Noteholder is a Purchaser, at the address for such Noteholder set forth on Schedule A to the Note Purchase Agreement, and further including any parties referred to on such schedules (which are required to receive notices in addition to such Noteholder, and

(b) if such Noteholder is not a Purchaser, at the address for such Noteholder set forth in the register for the registration and transfer of Notes maintained pursuant to Section 13.1 of the Note Purchase Agreement,

or to any such party at such other address as such party may designate by notice duly given in accordance with this Section 6.3. Notices shall be deemed given only when actually received.

6.4. Governing Law.

THIS GUARANTY SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

6.5. Effective Date.

This Guaranty shall be effective as of the date first written above.

6.6. Benefits of Guaranty Restricted to Noteholders.

Nothing express or implied in this Guaranty is intended or shall be construed to give to any Person other than each Guarantor and the Noteholders any legal or equitable right, remedy or claim under or in respect hereof or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of each Guarantor and the Noteholders.

6.7. Survival of Representations and Warranties.

All representations and warranties contained herein or made in writing by each Guarantor in connection herewith shall survive the execution and delivery hereof.

6.8. Expenses.

(a) Each Guarantor shall pay when billed the reasonable costs and expenses (including reasonable attorneys' fees) incurred by the Noteholders in connection with the consideration, negotiation, preparation or execution of any amendments, waivers, consents, standstill agreements and other similar agreements with respect hereto (whether or not any such amendments, waivers, consents, standstill agreements or other similar agreements are executed).

(b) At any time when any of the Company or the Guarantors and the Noteholders are conducting restructuring or workout negotiations in respect hereof, or a Default or Event of Default exists, each Guarantor shall pay when billed the reasonable costs and expenses (including reasonable attorneys' fees of one firm of attorneys and the reasonable fees of one firm of professional advisors) incurred by the Noteholders in connection with the assessment, analysis or enforcement of any rights or remedies that are or may be available to the Noteholders.

(c) If each Guarantor shall fail to pay when due any principal of, or interest on, or any other amount due in respect of any Note, each Guarantor shall pay to each Noteholder, to the extent permitted by law, such amounts as shall be sufficient to cover the costs and expenses, including but not limited to reasonable attorneys' fees, incurred by such Noteholder in collecting any sums due on the Notes.

6.9. Amendment.

This Guaranty may be amended only in a writing executed by each Guarantor and each Noteholder.

6.10. Survival.

So long as the Guaranteed Obligations and all payment obligations of each Guarantor hereunder shall not have been fully and finally performed and indefeasibly paid, the obligations of each Guarantor hereunder shall survive the transfer and payment of any Note and the payment in full of all the Notes.

6.11. Entire Agreement.

This Guaranty constitutes the final written expression of all of the terms hereof and is a complete and exclusive statement of those terms.

6.12. Duplicate Originals.

Two or more duplicate counterpart originals hereof may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument.

6.13. Waiver of Jury Trial; Consent to Jurisdiction; Etc.

(a) *Waiver of Jury Trial.* THE PARTIES HERETO VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS GUARANTY OR ANY OF THE DOCUMENTS, AGREEMENTS OR TRANSACTIONS CONTEMPLATED HEREBY.

(b) *Consent to Jurisdiction.* ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY, OR ANY OF THE DOCUMENTS, AGREEMENTS OR TRANSACTIONS CONTEMPLATED HEREBY OR ANY ACTION OR PROCEEDING TO EXECUTE OR OTHERWISE ENFORCE ANY JUDGMENT IN RESPECT OF ANY BREACH UNDER THIS GUARANTY OR ANY DOCUMENT OR AGREEMENT CONTEMPLATED HEREBY MAY BE BROUGHT BY SUCH PARTY IN ANY FEDERAL DISTRICT COURT LOCATED IN NEW YORK CITY, NEW YORK, OR ANY NEW YORK STATE COURT LOCATED IN NEW YORK CITY, NEW YORK AS SUCH PARTY MAY IN ITS SOLE DISCRETION ELECT, AND BY THE EXECUTION AND DELIVERY OF THIS GUARANTY, THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMIT TO THE NON-EXCLUSIVE *IN PERSONAM* JURISDICTION OF EACH SUCH COURT, AND EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES AND AGREES NOT TO ASSERT IN ANY PROCEEDING BEFORE ANY TRIBUNAL, BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE, ANY CLAIM THAT IT IS NOT SUBJECT TO THE *IN PERSONAM* JURISDICTION OF ANY SUCH COURT IN ADDITION, EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE IN ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY DOCUMENT, AGREEMENT OR TRANSACTION CONTEMPLATED HEREBY BROUGHT IN ANY SUCH COURT, AND HEREBY IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) *Service of Process.* EACH PARTY HERETO IRREVOCABLY AGREES THAT PROCESS PERSONALLY SERVED OR SERVED BY U.S. REGISTERED MAIL AT THE ADDRESSES PROVIDED HEREIN FOR NOTICES SHALL CONSTITUTE, TO THE EXTENT PERMITTED BY LAW, ADEQUATE SERVICE OF PROCESS IN ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY DOCUMENT, AGREEMENT OR TRANSACTION CONTEMPLATED HEREBY, OR ANY ACTION OR PROCEEDING TO EXECUTE OR OTHERWISE ENFORCE ANY JUDGMENT IN RESPECT OF ANY BREACH HEREUNDER OR UNDER ANY DOCUMENT OR AGREEMENT CONTEMPLATED HEREBY. RECEIPT OF PROCESS SO SERVED SHALL BE CONCLUSIVELY PRESUMED AS EVIDENCED BY A DELIVERY RECEIPT FURNISHED BY THE UNITED STATES POSTAL SERVICE OR ANY COMMERCIAL DELIVERY SERVICE.

(d) *Other Forums.* NOTHING HEREIN SHALL IN ANY WAY BE DEEMED TO LIMIT THE ABILITY OF ANY HOLDER OF NOTES TO SERVE ANY WRITS, PROCESS OR SUMMONSES IN ANY MANNER PERMITTED BY APPLICABLE LAW OR TO OBTAIN JURISDICTION OVER ANY GUARANTOR IN SUCH OTHER JURISDICTION, AND IN SUCH OTHER MANNER, AS MAY BE PERMITTED BY APPLICABLE LAW.

[Remainder of page intentionally left blank. Next page is signature page.]

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be executed on each Guarantor's behalf by a duly authorized officer of each such Guarantor.

TIFFANY AND COMPANY

By: _____
Name:
Title:

TIFFANY & CO. INTERNATIONAL

By: _____
Name:
Title:

TIFFANY & CO. JAPAN INC.

By: _____
Name:
Title:

ANNEX 1

ADDRESSES OF GUARANTORS

Tiffany and Company

c/o Tiffany & Co.
727 Fifth Avenue
New York, New York 10022
Attn: Chief Financial Officer
Fax: (212) 230-5336

Tiffany & Co. International

c/o Tiffany & Co.
727 Fifth Avenue
New York, New York 10022
Attn: Chief Financial Officer
Fax: (212) 230-5336

Tiffany & Co. Japan Inc.

c/o Tiffany & Co.
727 Fifth Avenue
New York, New York 10022
Attn: Chief Financial Officer
Fax: (212) 230-5336

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT, dated as of September 1, 2010 (as amended or restated from time to time, this "*Guaranty*"), by **Tiffany and Company**, a New York corporation, **Tiffany & Co. International**, a Delaware corporation and **Tiffany & Co. Japan Inc.**, a Delaware corporation (together with their respective successors and assigns, the "*Guarantors*") is in favor of each of the Noteholders (as such term is hereinafter defined).

1. PRELIMINARY STATEMENT

(a) Tiffany & Co., a Delaware corporation (together with its successors and assigns, the "**Company**"), has authorized the issuance of its (i) 1.72% Senior Notes due September 1, 2016 in the aggregate principal amount of Ten Billion Yen (¥10,000,000,000) (the "**Notes**"), pursuant to a Note Purchase Agreement, of even date herewith (as may be amended or restated from time to time, the "**Note Purchase Agreement**"), between the Company and the respective purchasers listed on Schedule A attached thereto (the "**Purchasers**").

(b) In order to induce the Purchasers to purchase the Notes from the Company, the Company has agreed that it will cause each Guarantor to guaranty unconditionally all of the obligations of the Company to pay principal of and interest and Make-Whole Amount and Swap Reimbursement Amount on the Notes and all other amounts payable by the Company under the terms of the Notes and the Note Purchase Agreement pursuant to the terms and provisions hereof.

(c) Each Guarantor and the Company are operated as part of one combined business group and are directly dependent upon each other for and in connection with their respective business activities and their respective financial resources. Each Guarantor will receive direct and indirect economic, financial and other benefits from the indebtedness incurred under the Note Purchase Agreement and the Notes by the Company, and under this Guaranty by each Guarantor, and the incurrence of such indebtedness is in the best interests of each Guarantor. The Company and each Guarantor have induced the Purchasers to purchase the Notes based on the consolidated financial condition of each Guarantor and the Company.

(d) All acts and proceedings required by law and by the certificate of incorporation and bylaws of each Guarantor necessary to constitute this Guaranty a valid and binding agreement for the uses and purposes set forth herein in accordance with its terms have been done and taken, and the execution and delivery hereof has been in all respects duly authorized.

2. GUARANTY AND OTHER RIGHTS AND UNDERTAKINGS**2.1. Guaranteed Obligations.**

Each Guarantor, in consideration of the execution and delivery of the Note Purchase Agreement, the purchase of the Notes by the Purchasers and other consideration, hereby

irrevocably, unconditionally, absolutely, jointly and severally guarantees, on a continuing basis, to each holder of Notes (each such holder being referred to herein as a “*Noteholder*” and, collectively, as the “*Noteholders*”), whether such Note has been issued, is being issued on the date hereof or is hereafter issued in compliance with the provisions of the Note Purchase Agreement, as and for each Guarantor’s own debt, until final and indefeasible payment has been made in cash

(a) the due and punctual payment of the principal of and accrued and unpaid interest (including, without limitation, interest which otherwise may cease to accrue by operation of any insolvency law, rule, regulation or interpretation thereof) and Make-Whole Amount, if any, and Swap Reimbursement Amount, if any, and any other fees and expenses, on the Notes at any time outstanding and the due and punctual payment of all other amounts payable, and all other indebtedness owing, by the Company to the Noteholders under the Note Purchase Agreement and the Notes, in each case when and as the same shall become due and payable, whether at maturity, pursuant to optional prepayment, by acceleration or otherwise, all in accordance with the terms and provisions hereof and thereof, including, without limitation, overdue interest, indemnification payments and all reasonable costs and expenses incurred by the Noteholders in connection with enforcing any obligations of the Company under the Note Purchase Agreement and the Notes; it being the intent of each Guarantor that the guaranty set forth herein shall be a continuing guaranty of payment and not a guaranty of collection; and

(b) the prompt and complete payment, on demand, of any and all reasonable costs and expenses incurred by the Noteholders in connection with enforcing the obligations of such Guarantor hereunder, including, without limitation, the reasonable fees and disbursements of the Noteholders’ special counsel.

All of the obligations set forth in clauses (a) and (b) of this Section 2.1 are referred to herein as the “*Guarantied Obligations*” and the guaranty thereof contained herein is referred to herein as the “*Unconditional Guaranty*.” The Unconditional Guaranty is a primary, original and immediate obligation of each Guarantor and is an absolute, unconditional, continuing and irrevocable guaranty of payment and performance and shall remain in full force and effect until the full, final and indefeasible payment in cash of the Guarantied Obligations.

2.2. Performance Under the Note Purchase Agreement.

In the event the Company fails to pay, perform, keep, observe, or fulfill any Guarantied Obligation specified in clause (a) of Section 2.1 in the manner provided in the Notes or in the Note Purchase Agreement, each Guarantor shall cause forthwith to be paid the moneys in respect of which such failure has occurred in accordance with the terms and provisions of the Note Purchase Agreement and the Notes. In furtherance of the foregoing, if an Event of Default shall exist, the Guarantied Obligations shall, in the manner and subject to the limitations provided in the Note Purchase Agreement for the acceleration of the Notes, forthwith become due and payable without notice, regardless of whether the acceleration of the Notes shall be stayed, enjoined, delayed or otherwise prevented.

2.3. Releases.

Each Guarantor consents and agrees that, without notice to or by any Guarantor and without impairing, releasing, abating, deferring, suspending, reducing, terminating or otherwise affecting the obligations of each Guarantor hereunder, each Noteholder, in the manner provided herein, by action or inaction, may:

(a) compromise or settle, renew or extend the period of duration or the time for the payment, or discharge the performance of, or may refuse to, or otherwise not, enforce, or may, by action or inaction, release all or any one or more parties to, any one or more of the Notes, the Note Purchase Agreement, any other guaranty thereof or agreement or instrument related thereto or hereto;

(b) assign, sell or transfer, or otherwise dispose of, any one or more of the Notes;

(c) grant waivers, extensions, consents and other indulgences to the Company or any other Guarantor or guarantors in respect of any one or more of the Notes, the Note Purchase Agreement, any other guaranty thereof or any agreement or instrument related thereto or hereto;

(d) amend, modify or supplement in any manner and at any time (or from time to time) any one or more of the Notes, the Note Purchase Agreement, any other guaranty thereof or any agreement or instrument related hereto;

(e) release or substitute any one or more of the endorsers or guarantors of the Guaranteed Obligations whether parties hereto or not; and

(f) sell, exchange, release, surrender or enforce, by action or inaction, any property at any time pledged or granted as security in respect of the Guaranteed Obligations, whether so pledged or granted by the Company, each Guarantor or another guarantor of the Company's obligations under the Note Purchase Agreement, the Notes, any other guaranty thereof or any agreement or instrument related hereto.

2.4. Waivers.

To the fullest extent permitted by law, each Guarantor does hereby waive:

(a) any notice of:

(i) acceptance of the Unconditional Guaranty;

(ii) any purchase of the Notes under the Note Purchase Agreement, or the creation, existence or acquisition of any of the Guaranteed Obligations, or the amount of the Guaranteed Obligations, subject to each Guarantor's rights to make inquiry of each Noteholder to ascertain the amount of the Guaranteed Obligations owing to such Noteholder at any reasonable time;

(iii) any adverse change in the financial condition of the Company or any other fact that might increase, expand or affect each Guarantor's risk hereunder;

(iv) presentment for payment, demand, protest, and notice thereof as to the Notes or any other instrument;

(v) any Default or Event of Default; and

(vi) any notice or demand of any kind or nature whatsoever to which each Guarantor might otherwise be entitled (except if such notice or demand is specifically otherwise required to be given to such Guarantor pursuant to the terms of this Guaranty);

(b) any right, by statute or otherwise, to require any Noteholder to institute suit against the Company or any other guarantor or to exhaust the rights and remedies of any Noteholder against the Company or any other guarantor, each Guarantor being bound to the payment of each and all Guaranteed Obligations, whether now existing or hereafter accruing, as fully as if such Guaranteed Obligations were directly owing to the Noteholders by each Guarantor;

(c) the benefit of any stay (except in connection with a pending appeal), valuation, appraisal, redemption or extension law now or at any time hereafter in force which, but for this waiver, might be applicable to any sale of property of any Guarantor made under any judgment, order or decree based on this Guaranty, and each Guarantor covenants that it will not at any time insist upon or plead, or in any manner claim or take the benefit or advantage of, such law; and

(d) any defense or objection to the absolute, primary, continuing nature, or the validity, enforceability or amount of the Unconditional Guaranty, including, without limitation, any defense based on (and the primary, continuing nature, and the validity, enforceability and amount of the Unconditional Guaranty shall be unaffected by), any of the following:

(i) any change in future conditions;

(ii) any change of law;

(iii) any invalidity or irregularity with respect to the issuance or assumption of any obligations (including, without limitation, the Note Purchase Agreement, the Notes or any agreement or instrument related hereto) by the Company or any other Person;

(iv) the execution and delivery of any agreement at any time hereafter (including, without limitation, the Note Purchase Agreement, the Notes or any agreement or instrument related hereto) of the Company or any other Person;

- (v) the genuineness, validity, regularity or enforceability of any of the Guaranteed Obligations;
- any Guarantor;
- (vi) any default, failure or delay, willful or otherwise, in the performance of any obligations by the Company or
- (vii) any creditors' rights, bankruptcy, receivership or other insolvency proceeding of the Company or any Guarantor, or sequestration or seizure of any property of the Company or any Guarantor, or any merger, consolidation, reorganization, dissolution, liquidation or winding up or change in corporate constitution or corporate identity or loss of corporate identity of the Company or any Guarantor;
- (viii) any disability or other defense of the Company or any Guarantor to payment and performance of all Guaranteed Obligations other than the defense that the Guaranteed Obligations shall have been fully and finally performed and indefeasibly paid in cash;
- (ix) the cessation from any cause whatsoever of the liability of the Company or any Guarantor in respect of the Guaranteed Obligations (other than as provided herein), and any other defense that any Guarantor may otherwise have against the Company or any Noteholder;
- (x) impossibility or illegality of performance on the part of the Company or any Guarantor under the Note Purchase Agreement, the Notes or this Guaranty;
- (xi) any change of the circumstances of the Company, any Guarantor or any other Person, whether or not foreseen or foreseeable, whether or not imputable to the Company or any Guarantor, including, without limitation, impossibility of performance through fire, explosion, accident, labor disturbance, floods, droughts, embargoes, wars (whether or not declared), civil commotions, acts of God or the public enemy, delays or failure of suppliers or carriers, inability to obtain materials, economic or political conditions, or any other causes affecting performance, or any other force majeure, whether or not beyond the control of the Company or any Guarantor and whether or not of the kind hereinbefore specified;
- (xii) any attachment, claim, demand, charge, Lien, order, process, encumbrance or any other happening or event or reason, similar or dissimilar to the foregoing, or any withholding or diminution at the source, by reason of any taxes, assessments, expenses, indebtedness, obligations or liabilities of any character, foreseen or unforeseen, and whether or not valid, incurred by or against any Person, or any claims, demands, charges, Liens or encumbrances of any nature, foreseen or unforeseen, incurred by any Person, or against any sums payable under the Note Purchase Agreement or the Notes or any agreement or instrument related hereto so that such sums would be rendered inadequate or would be unavailable to make the payment as herein provided;

(xiii) any change in the ownership of the equity securities of the Company, any Guarantor or any other Person liable in respect of the Notes; or

(xiv) any other action, happening, event or reason whatsoever that shall delay, interfere with, hinder or prevent, or in any way adversely affect, the performance by the Company or any Guarantor of any of their obligations under the Note Purchase Agreement, the Notes or this Guaranty.

2.5. Certain Waivers of Subrogation, Reimbursement and Indemnity.

Each Guarantor hereby acknowledges and agrees that:

(a) no Guarantor shall have any right of subrogation, contribution, reimbursement, or indemnity whatsoever in respect of the Guaranteed Obligations, and no right of recourse to or with respect to any assets or property of the Company;

(b) no Guarantor will file any claims against the Company or the estate of the Company in the course of any proceeding under any applicable bankruptcy or insolvency law in respect of the rights referred to in this Section 2.5; and

(c) each holder of Notes may specifically enforce the provisions of this Section.

2.6. Indemnity.

As a separate, additional and continuing obligation, each Guarantor unconditionally and irrevocably undertakes and agrees with the Noteholders that, should the Guaranteed Obligations not be recoverable from any Guarantor for any reason whatsoever (including, without limitation, by reason of any provision of the Note Purchase Agreement, the Notes or any other agreement or instrument executed in connection therewith being or becoming void, unenforceable or otherwise invalid under any applicable law) then, notwithstanding any knowledge thereof by any Noteholder at any time, each Guarantor as sole, original and independent obligor, upon demand by the Noteholders, will make payment of the Guaranteed Obligations to the Noteholders by way of a full indemnity in such currency and otherwise in such manner as is provided in the Note Purchase Agreement and the Notes.

2.7. Invalid Payments.

Each Guarantor further agrees that, to the extent the Company makes a payment or payments to any Noteholder, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required, for any of the foregoing reasons or for any other reason, to be repaid or paid over to a custodian, trustee, receiver or any other party or officer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, state or federal law, or any common law or equitable cause, then to the extent of such payment or repayment, the obligation or part thereof intended to be satisfied shall be revived and continued in full force and effect as if said payment had not been made and each Guarantor shall be primarily liable for such obligation.

2.8. Marshaling.

Each Guarantor consents and agrees that each Noteholder, and each Person acting for the benefit of each Noteholder, shall be under no obligation to marshal any assets in favor of any Guarantor or against or in payment of any or all of the Guaranteed Obligations.

2.9. Subordination, Subrogation, Etc.

Each Guarantor agrees that any present or future indebtedness, obligations or liabilities of the Company to any Guarantor shall be fully subordinate and junior in right and priority of payment to any present or future indebtedness, obligations or liabilities of the Company to the Noteholders. Each Guarantor waives any right of subrogation to the rights of the Noteholders against the Company or any other Person obligated for payment of the Guaranteed Obligations and any right of reimbursement, contribution or indemnity whatsoever (including, without limitation, any such right as against any other guarantor) arising or accruing out of any payment that any Guarantor may make pursuant to this Guaranty, and any right of recourse to security for the debts and obligations of the Company, unless and until the entire amount of the Guaranteed Obligations shall have been paid in full.

2.10. Subordination of Affiliate Obligations.

In the event that, for any reason whatsoever, the Company or a Person obligated in respect of the Guaranteed Obligations pursuant to another guaranty, is now or hereafter becomes indebted to any Guarantor in any manner (an "*Affiliate Obligation*"), such Guarantor agrees that the amount of such Affiliate Obligation, interest thereon, and all other amounts due with respect thereto, shall, at all times during the existence of a Default or an Event of Default, be subordinate as to time of payment and in all other respects to all the Guaranteed Obligations, and that such Guarantor shall not be entitled to enforce or receive payment thereof until all sums then due and owing to the Noteholders in respect of the Guaranteed Obligations shall have been paid in full, except that such Guarantor may enforce any obligations in respect of any such Affiliate Obligation owing to such Guarantor from the Company or such indebted Person so long as all proceeds in respect of any recovery from such enforcement, to the extent of all amounts owing with respect to this Guaranty, shall be held by such Guarantor in trust for the benefit of the Noteholders. If any other payment, other than pursuant to the immediately preceding sentence, shall have been made to any Guarantor by the Company or such indebted Person on any such Affiliate Obligation during any time that a Default or an Event of Default exists and there are Guaranteed Obligations outstanding, such Guarantor shall hold in trust all such payments, to the extent of all amounts owing with respect to this Guaranty, for the benefit of the Noteholders.

2.11. Set-off, Counterclaim or Other Deductions.

Except as otherwise required by law, each payment by any Guarantor shall be made without set-off, counterclaim or other deduction.

2.12. Election by Guarantors to Perform Obligations.

Any election by any Guarantor to pay or otherwise perform any of the obligations of the Company under the Notes, the Note Purchase Agreement or any agreement or instrument related hereto shall not release the Company, such Guarantor or any other guarantor from such obligations or any of such Person's other obligations under the Notes, the Note Purchase Agreement or any agreement or instrument related hereto.

2.13. No Election of Remedies by Noteholders.

Each Noteholder shall, individually or collectively, have the right to seek recourse against any Guarantor to the fullest extent provided for herein for such Guarantor's obligations under this Guaranty in respect of the Guaranteed Obligations. No election to proceed in one form of action or proceeding, or against any party, or on any obligation, shall constitute a waiver of such Noteholder's right to proceed in any other form of action or proceeding or against other parties unless such Noteholder has expressly waived such right in writing. Specifically, but without limiting the generality of the foregoing, no action or proceeding by any Noteholder against the Company or any Guarantor under any document or instrument evidencing obligations of the Company or any Guarantor to such Noteholder shall serve to diminish the liability of any Guarantor under this Guaranty, except to the extent that such Noteholder finally and unconditionally shall have realized payment by such action or proceeding.

2.14. Separate Action; Other Enforcement Rights.

Each of the rights and remedies granted under this Guaranty to each Noteholder in respect of the Notes held by such Noteholder may be exercised by such Noteholder with notice by such Noteholder to, but without the consent of or any other action by, any other Noteholder; *provided*, however, that the maturity of the Notes may only be accelerated in accordance with the provisions of the Note Purchase Agreement or operation of law. Each Noteholder may proceed to protect and enforce the Unconditional Guaranty by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement contained herein or in execution or aid of any power herein granted or for the recovery of judgment for the obligations hereby guaranteed or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

2.15. Noteholder Set-off.

Each Noteholder shall have, to the fullest extent permitted by law and this Guaranty, a right of set-off against any and all credits and any and all other property of any or all of the Guarantors or any other Person, now or at any time whatsoever, with or in the possession of, such Noteholder, or anyone acting for such Noteholder, to ensure the full performance of any and all obligations of each Guarantor hereunder.

2.16. Delay or Omission; No Waiver.

No course of dealing on the part of any Noteholder and no delay or failure on the part of any such Person to exercise any right hereunder shall impair such right or operate as a waiver of such right or otherwise prejudice such Person's rights, powers and remedies hereunder. Every right and remedy given by the Unconditional Guaranty or by law to any Noteholder may be exercised from time to time as often as may be deemed expedient by such Person.

2.17. Restoration of Rights and Remedies.

If any Noteholder shall have instituted any proceeding to enforce any right or remedy under the Unconditional Guaranty or under any Note held by such Noteholder, and such proceeding shall have been dismissed, discontinued or abandoned for any reason, or shall have been determined adversely to such Noteholder, then and in every such case each such Noteholder, the Company and each Guarantor shall, except as may be limited or affected by any determination (including, without limitation, any determination in connection with any such dismissal) in such proceeding, be restored severally and respectively to its respective former positions hereunder and thereunder, and thereafter, subject as aforesaid, the rights and remedies of such Noteholders shall continue as though no such proceeding had been instituted.

2.18. Cumulative Remedies.

No remedy under this Guaranty, the Note Purchase Agreement or the Notes is intended to be exclusive of any other remedy, but each and every remedy shall be cumulative and in addition to any and every other remedy given pursuant to this Guaranty, the Note Purchase Agreement or the Notes.

2.19. Notices in Respect of Payments.

If any Guarantor shall pay to any Noteholder any amount in respect of the Guaranteed Obligations, such Guarantor, within five (5) Business Days after making such payment, shall provide notice of such payment to each other Noteholder.

2.20. Limitation on Guaranteed Obligation.

Notwithstanding anything in Section 2.1 or elsewhere in this Guaranty, the Note Purchase Agreement or the Notes to the contrary, the obligations of each Guarantor to pay the Guaranteed Obligations hereunder shall at each point in time be limited to an aggregate amount equal to the greatest amount that would not result in such obligations being subject to avoidance, or otherwise result in such obligations being unenforceable, at such time under applicable law (including, without limitation, to the extent, and only to the extent, applicable to each Guarantor, Section 548 of the Bankruptcy Code of the United States of America and any comparable provisions of the law of any other jurisdiction, any capital preservation law of any jurisdiction and any other law of any jurisdiction that at such time limits the enforceability of the obligations of such Guarantor hereunder).

2.21. Confirmation of Guaranty.

Promptly following the request of any holder of Notes in connection with any issuance of additional Notes pursuant to the terms of the Note Purchase Agreement, each Guarantor agrees to confirm in writing that the Unconditional Guaranty hereunder extends to the obligations of the Company evidenced by such newly issued Notes, and that such Notes are Guaranteed Obligations hereunder.

3. INTERPRETATION OF THIS GUARANTY

3.1. Terms Defined.

For purposes of this Guaranty, the following terms have the meanings specified below or provided for in the Section of this Guaranty referred to immediately following such term (such definitions to be equally applicable to both the singular and plural forms of the terms defined). Capitalized terms used herein and not otherwise defined herein have the meaning specified in the Note Purchase Agreement.

Affiliate Obligation □ Section 2.10.

Company □ Section 1(a).

Guaranteed Obligations □ Section 2.1.

Guarantors □ has the meaning assigned to such term in the introductory paragraph hereof.

Note Purchase Agreement □ Section 1(a).

Noteholder □ Section 2.1.

Notes □ Section 1(a).

Person □ means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

Purchasers □ Section 1(a).

Unconditional Guaranty □ Section 2.1.

3.2. Section Headings and Construction.

(a) *Section Headings, etc.* The titles of the Sections appear as a matter of convenience only, do not constitute a part hereof and shall not affect the construction hereof. The words “herein,” “hereof,” “hereunder” and “hereto” refer to this Guaranty as a whole and not to any particular Section or other subdivision.

(b) *Construction.* Each covenant contained herein shall be construed (absent an express contrary provision herein) as being independent of each other covenant contained herein, and compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with one or more other covenants.

4. WARRANTIES AND REPRESENTATIONS

Guarantors warrant and represent, as of the date hereof, that each of the warranties and representations made by the Company in Section 5 of the Note Purchase Agreement with respect to each Guarantor are true with respect to each Guarantor on the date hereof.

5. GENERAL COVENANTS

Each Guarantor covenants and agrees that on and after the date hereof and so long as any of the Guaranteed Obligations shall be outstanding:

5.1. Undertakings in the Note Purchase Agreement.

Each Guarantor will comply with each of the undertakings of the Company in the Note Purchase Agreement in respect of which the Company undertakes to cause such Guarantor to comply with such undertakings, as if such undertakings (as they apply to the Guarantors) were set forth at length herein as the undertakings of such Guarantor.

5.2. Payment of Notes and Maintenance of Offices.

Each Guarantor will punctually pay, or cause to be paid, all of the Guaranteed Obligations when due and all other payment obligations required of it hereunder and will maintain an office at its address as set forth pursuant to Section 6.3 where notices, presentations and demands in respect of this Guaranty may be made upon it. Such office will be maintained at such address until such time as such Guarantor shall notify the Noteholders of any change of location of such office.

5.3. Further Assurances.

Each Guarantor will cooperate with the Noteholders and execute such further instruments and documents as the Noteholders shall reasonably request to carry out, to the reasonable satisfaction of the Noteholders, the transactions contemplated by the Note Purchase Agreement, the Notes and this Guaranty.

6. MISCELLANEOUS

6.1. Successors and Assigns.

(a) Whenever any Guarantor or any of the parties to the Note Purchase Agreement is referred to, such reference shall be deemed to include the successors and assigns of such party, and all the covenants, promises and agreements contained in this Guaranty by or on behalf of such Guarantor shall bind the successors and assigns of such Guarantor and shall inure to the benefit of each of the Noteholders from time to time whether so expressed or not and whether or not an assignment of the rights hereunder shall have been delivered in connection with any assignment or other transfer of Notes.

(b) Each Guarantor agrees to take such action as may be reasonably requested by any Noteholder in connection with the purchase by such Noteholder or the transfer of the Notes of such Noteholder in accordance with the requirements of the Note Purchase Agreement in connection with providing an executed copy of this Guaranty to the new Noteholder or Noteholders of such Notes; *provided, however*, that no additional obligations of such Guarantor shall thereby be created (beyond what is provided by this Guaranty).

6.2. Partial Invalidity.

The unenforceability or invalidity of any provision or provisions hereof shall not render any other provision or provisions contained herein unenforceable or invalid.

6.3. Communications.

All communications hereunder shall be in writing, shall be delivered in the manner required by the Note Purchase Agreement, and shall be addressed, if to any Guarantor, at the applicable address set forth on Annex 1 hereto, and if to any of the Noteholders:

(a) if such Noteholder is a Purchaser, at the address for such Noteholder set forth on Schedule A to the Note Purchase Agreement, and further including any parties referred to on such schedules (which are required to receive notices in addition to such Noteholder, and

(b) if such Noteholder is not a Purchaser, at the address for such Noteholder set forth in the register for the registration and transfer of Notes maintained pursuant to Section 13.1 of the Note Purchase Agreement,

or to any such party at such other address as such party may designate by notice duly given in accordance with this Section 6.3. Notices shall be deemed given only when actually received.

6.4. Governing Law.

THIS GUARANTY SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

6.5. Effective Date.

This Guaranty shall be effective as of the date first written above.

6.6. Benefits of Guaranty Restricted to Noteholders.

Nothing express or implied in this Guaranty is intended or shall be construed to give to any Person other than each Guarantor and the Noteholders any legal or equitable right, remedy or claim under or in respect hereof or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of each Guarantor and the Noteholders.

6.7. Survival of Representations and Warranties.

All representations and warranties contained herein or made in writing by each Guarantor in connection herewith shall survive the execution and delivery hereof.

6.8. Expenses.

(a) Each Guarantor shall pay when billed the reasonable costs and expenses (including reasonable attorneys' fees) incurred by the Noteholders in connection with the consideration, negotiation, preparation or execution of any amendments, waivers, consents, standstill agreements and other similar agreements with respect hereto (whether or not any such amendments, waivers, consents, standstill agreements or other similar agreements are executed).

(b) At any time when any of the Company or the Guarantors and the Noteholders are conducting restructuring or workout negotiations in respect hereof, or a Default or Event of Default exists, each Guarantor shall pay when billed the reasonable costs and expenses (including reasonable attorneys' fees of one firm of attorneys and the reasonable fees of one firm of professional advisors) incurred by the Noteholders in connection with the assessment, analysis or enforcement of any rights or remedies that are or may be available to the Noteholders.

(c) If each Guarantor shall fail to pay when due any principal of, or interest on, or any other amount due in respect of any Note, each Guarantor shall pay to each Noteholder, to the extent permitted by law, such amounts as shall be sufficient to cover the costs and expenses, including but not limited to reasonable attorneys' fees, incurred by such Noteholder in collecting any sums due on the Notes.

6.9. Amendment.

This Guaranty may be amended only in a writing executed by each Guarantor and each Noteholder.

6.10. Survival.

So long as the Guaranteed Obligations and all payment obligations of each Guarantor hereunder shall not have been fully and finally performed and indefeasibly paid, the obligations of each Guarantor hereunder shall survive the transfer and payment of any Note and the payment in full of all the Notes.

6.11. Entire Agreement.

This Guaranty constitutes the final written expression of all of the terms hereof and is a complete and exclusive statement of those terms.

6.12. Duplicate Originals.

Two or more duplicate counterpart originals hereof may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument.

6.13. Waiver of Jury Trial; Consent to Jurisdiction; Etc.

(a) *Waiver of Jury Trial.* THE PARTIES HERETO VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS GUARANTY OR ANY OF THE DOCUMENTS, AGREEMENTS OR TRANSACTIONS CONTEMPLATED HEREBY.

(b) *Consent to Jurisdiction.* ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY, OR ANY OF THE DOCUMENTS, AGREEMENTS OR TRANSACTIONS CONTEMPLATED HEREBY OR ANY ACTION OR PROCEEDING TO EXECUTE OR OTHERWISE ENFORCE ANY JUDGMENT IN RESPECT OF ANY BREACH UNDER THIS GUARANTY OR ANY DOCUMENT OR AGREEMENT CONTEMPLATED HEREBY MAY BE BROUGHT BY SUCH PARTY IN ANY FEDERAL DISTRICT COURT LOCATED IN NEW YORK CITY, NEW YORK, OR ANY NEW YORK STATE COURT LOCATED IN NEW YORK CITY, NEW YORK AS SUCH PARTY MAY IN ITS SOLE DISCRETION ELECT, AND BY THE EXECUTION AND DELIVERY OF THIS GUARANTY, THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMIT TO THE NON-EXCLUSIVE *IN PERSONAM* JURISDICTION OF EACH SUCH COURT, AND EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES AND AGREES NOT TO ASSERT IN ANY PROCEEDING BEFORE ANY TRIBUNAL, BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE, ANY CLAIM THAT IT IS NOT SUBJECT TO THE *IN PERSONAM* JURISDICTION OF ANY SUCH COURT IN ADDITION, EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE IN ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY DOCUMENT, AGREEMENT OR TRANSACTION CONTEMPLATED HEREBY BROUGHT IN ANY SUCH COURT, AND HEREBY IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) *Service of Process.* EACH PARTY HERETO IRREVOCABLY AGREES THAT PROCESS PERSONALLY SERVED OR SERVED BY U.S. REGISTERED MAIL AT THE ADDRESSES PROVIDED HEREIN FOR NOTICES SHALL CONSTITUTE, TO THE EXTENT PERMITTED BY LAW, ADEQUATE SERVICE OF PROCESS IN ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY DOCUMENT, AGREEMENT OR TRANSACTION CONTEMPLATED HEREBY, OR ANY ACTION OR PROCEEDING TO EXECUTE OR OTHERWISE ENFORCE ANY JUDGMENT IN RESPECT OF ANY BREACH HEREUNDER OR UNDER ANY DOCUMENT OR AGREEMENT CONTEMPLATED HEREBY. RECEIPT OF PROCESS SO SERVED SHALL BE CONCLUSIVELY PRESUMED AS EVIDENCED BY A DELIVERY RECEIPT FURNISHED BY THE UNITED STATES POSTAL SERVICE OR ANY COMMERCIAL DELIVERY SERVICE.

(d) *Other Forums.* NOTHING HEREIN SHALL IN ANY WAY BE DEEMED TO LIMIT THE ABILITY OF ANY HOLDER OF NOTES TO SERVE ANY WRITS, PROCESS OR SUMMONSES IN ANY MANNER PERMITTED BY APPLICABLE LAW OR TO OBTAIN JURISDICTION OVER ANY GUARANTOR IN SUCH OTHER JURISDICTION, AND IN SUCH OTHER MANNER, AS MAY BE PERMITTED BY APPLICABLE LAW.

[Remainder of page intentionally left blank. Next page is signature page.]

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be executed on each Guarantor's behalf by a duly authorized officer of each such Guarantor.

TIFFANY AND COMPANY

By: /s/ Patrick B. Dorsey
Name: Patrick B. Dorsey
Title: Senior Vice President, Secretary
and General Counsel

TIFFANY & CO. INTERNATIONAL

By: /s/ Patrick B. Dorsey
Name: Patrick B. Dorsey
Title: Vice President

TIFFANY & CO. JAPAN INC.

By: /s/ Patrick B. Dorsey
Name: Patrick B. Dorsey
Title: Vice President

ANNEX 1

ADDRESSES OF GUARANTORS

Tiffany and Company

c/o Tiffany & Co.
727 Fifth Avenue
New York, New York 10022
Attn: Chief Financial Officer
Fax: (212) 230-5336

Tiffany & Co. International

c/o Tiffany & Co.
727 Fifth Avenue
New York, New York 10022
Attn: Chief Financial Officer
Fax: (212) 230-5336

Tiffany & Co. Japan Inc.

c/o Tiffany & Co.
727 Fifth Avenue
New York, New York 10022
Attn: Chief Financial Officer
Fax: (212) 230-5336

CERTIFICATION

I, Michael J. Kowalski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tiffany & Co.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly 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 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: September 1, 2010
Chairman and Chief Executive Officer
(principal executive officer)

/s/ Michael J. Kowalski

CERTIFICATION

I, James N. Fernandez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tiffany & Co.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly 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 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: September 1, 2010
Executive Vice President and Chief Financial

/s/ James N. Fernandez
Officer (principal financial officer)

CERTIFICATION

Pursuant to 18 U.S.C. 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Tiffany & Co. (the "Company") on Form 10-Q for the period ended July 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Kowalski, as Chairman of the Board of Directors and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss 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.

Dated: September 1, 2010

/s/ Michael J. Kowalski

(principal executive officer)

Chairman and Chief Executive Officer

CERTIFICATION

Pursuant to 18 U.S.C. 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Tiffany & Co. (the "Company") on Form 10-Q for the period ended July 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James N. Fernandez, as Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss 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.

Dated: September 1, 2010

Executive Vice President and

/s/ James N. Fernandez

Chief Financial Officer
(principal financial officer)

