

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended October 31, 2004

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 000-22754

Urban Outfitters, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania
**(State or Other Jurisdiction
of Incorporation of Organization)**

1809 Walnut Street, Philadelphia, PA
(Address of Principal Executive Offices)

23-2003332
**(I.R.S. Employer
Identification No.)**

19103
(Zip Code)

(215) 564-2313
(Registrant's Telephone Number, Including Area Code)

Indicate by checkmark 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 checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, \$0.0001 par value—81,330,144 shares outstanding on November 30, 2004.

TABLE OF CONTENTS

**PART I
FINANCIAL INFORMATION**

Item 1.	Financial Statements (unaudited)	
	Condensed Consolidated Balance Sheets as of October 31, 2004, January 31, 2004 and October 31, 2003	1
	Condensed Consolidated Statements of Income for the three and nine months ended October 31, 2004 and 2003	2
	Condensed Consolidated Statements of Shareholders' Equity for the nine months ended October 31, 2004 and 2003	3
	Condensed Consolidated Statements of Cash Flows for the nine months ended October 31, 2004 and 2003	4
	Notes to Condensed Consolidated Financial Statements	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	20
Item 4.	Controls and Procedures	21

**PART II
OTHER INFORMATION**

Item 1.	Legal Proceedings	22
Item 6.	Exhibits	22
	Signatures	23

URBAN OUTFITTERS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share and per share data)
(Unaudited)

	October 31, 2004	January 31, 2004	October 31, 2003
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,413	\$ 37,144	\$ 14,446
Marketable securities	81,502	50,029	44,494
Accounts receivable, net of allowance for doubtful accounts of \$911, \$651 and \$705, respectively	13,635	6,711	6,478
Inventories	112,893	63,247	72,213
Prepaid expenses, deferred taxes and other current assets	26,006	18,704	14,771
	<u>239,449</u>	<u>175,835</u>	<u>152,402</u>
Total current assets	239,449	175,835	152,402
Property and equipment, net	148,026	121,919	123,023
Marketable securities	67,099	52,315	48,714
Deferred taxes and other assets	9,548	9,526	8,863
	<u>\$ 464,122</u>	<u>\$ 359,595</u>	<u>\$ 333,002</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 43,744	\$ 27,353	\$ 31,260
Accrued expenses, accrued compensation and other current liabilities	38,280	30,409	28,004
	<u>82,024</u>	<u>57,762</u>	<u>59,264</u>
Total current liabilities	82,024	57,762	59,264
Deferred rent and other liabilities	12,101	11,703	11,190
	<u>94,125</u>	<u>69,465</u>	<u>70,454</u>
Total liabilities	94,125	69,465	70,454
Commitments and contingencies (see Note 5)			
Shareholders' equity:			
Preferred shares; \$.0001 par value, 10,000,000 shares authorized, none issued	—	—	—
Common shares; \$.0001 par value, 200,000,000 shares authorized, 81,221,292, 79,776,542 and 79,000,144 shares issued and outstanding, respectively	8	8	8
Additional paid-in capital	104,761	83,279	74,997
Unearned compensation	(5,349)	—	—
Retained earnings	268,318	204,905	186,476
Accumulated other comprehensive income	2,259	1,938	1,067
	<u>369,997</u>	<u>290,130</u>	<u>262,548</u>
Total shareholders' equity	369,997	290,130	262,548
	<u>\$ 464,122</u>	<u>\$ 359,595</u>	<u>\$ 333,002</u>

See accompanying notes

URBAN OUTFITTERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(amounts in thousands, except share and per share data)
(Unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2004	2003	2004	2003
Net sales	\$ 216,353	\$ 142,331	\$ 576,127	\$ 372,238
Cost of sales, including certain buying, distribution and occupancy costs	124,895	85,520	337,757	231,846
Gross profit	91,458	56,811	238,370	140,392
Selling, general and administrative expenses	48,276	33,333	132,672	90,753
Income from operations	43,182	23,478	105,698	49,639
Other income, net	576	198	878	692
Income before income taxes	43,758	23,676	106,576	50,331
Income tax expense	17,722	9,589	43,163	20,384
Net income	\$ 26,036	\$ 14,087	\$ 63,413	\$ 29,947
Net income per common share:				
Basic	\$ 0.32	\$ 0.18	\$ 0.79	\$ 0.38
Diluted	\$ 0.31	\$ 0.17	\$ 0.76	\$ 0.37
Weighted average common shares and common share equivalents outstanding:				
Basic	81,047,615	78,888,858	80,563,086	78,248,780
Diluted	84,076,256	81,507,826	83,407,996	80,257,298

See accompanying notes

URBAN OUTFITTERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(amounts in thousands, except share data)
(Unaudited)

	Comprehensive Income (Loss)		Common Shares		Additional Paid-in Capital	Unearned Compensation	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Quarter	Year to-Date	Number of Shares	Par Value					
Balances at February 1, 2004			79,776,542	\$ 8	\$ 83,279	\$ —	\$ 204,905	\$ 1,938	\$ 290,130
Net Income	\$ 26,036	\$ 63,413	—	—	—	—	63,413	—	63,413
Foreign currency translation	180	409	—	—	—	—	—	409	409
Unrealized gain/(loss) on marketable securities, net	296	(88)	—	—	—	—	—	(88)	(88)
Comprehensive income	\$ 26,512	\$ 63,734							
Restricted stock issued			200,000	—	5,766	(5,766)	—	—	—
Amortization of unearned compensation			—	—	—	417	—	—	417
Exercise of stock options			1,244,750	—	5,676	—	—	—	5,676
Tax effect of exercises			—	—	10,040	—	—	—	10,040
Balances at October 31, 2004			81,221,292	\$ 8	\$ 104,761	\$ (5,349)	\$ 268,318	\$ 2,259	\$ 369,997
Balances at February 1, 2003			77,526,544	\$ 8	\$ 67,156	\$ —	\$ 156,529	\$ 692	\$ 224,385
Net income	\$ 14,087	\$ 29,947	—	—	—	—	29,947	—	29,947
Foreign currency translation	563	452	—	—	—	—	—	452	452
Unrealized gain/(loss) on marketable securities, net	65	(77)	—	—	—	—	—	(77)	(77)
Comprehensive income	\$ 14,715	\$ 30,322							
Exercise of stock options			1,473,600	—	5,896	—	—	—	5,896
Tax effect of exercises			—	—	1,945	—	—	—	1,945
Balances at October 31, 2003			79,000,144	\$ 8	\$ 74,997	\$ —	\$ 186,476	\$ 1,067	\$ 262,548

See accompanying notes

URBAN OUTFITTERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)
(Unaudited)

	Nine Months Ended October 31,	
	2004	2003
Cash flows from operating activities:		
Net income	\$ 63,413	\$ 29,947
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,347	16,055
Tax benefit of stock option exercises	10,040	1,945
Stock-based compensation expense	417	—
Changes in assets and liabilities:		
Increase in receivables	(6,914)	(3,213)
Increase in inventories	(49,590)	(23,355)
Increase in prepaid expenses and other assets	(7,309)	(1,709)
Increase in payables, accrued expenses and other liabilities	24,627	11,926
Net cash provided by operating activities	<u>55,031</u>	<u>31,596</u>
Cash flows from investing activities:		
Capital expenditures	(44,755)	(24,245)
Purchases of marketable securities	(349,519)	(248,708)
Sales and maturities of marketable securities	301,649	216,647
Net cash used in investing activities	<u>(92,625)</u>	<u>(56,306)</u>
Cash flows from financing activities:		
Exercise of stock options	5,676	5,896
Net cash provided by financing activities	<u>5,676</u>	<u>5,896</u>
Effect of exchange rate changes on cash and cash equivalents	187	133
Decrease in cash and cash equivalents	(31,731)	(18,681)
Cash and cash equivalents at beginning of period	37,144	33,127
Cash and cash equivalents at end of period	<u>\$ 5,413</u>	<u>\$ 14,446</u>

See accompanying notes

URBAN OUTFITTERS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands, except share and per share data)
(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2004, filed with the Securities and Exchange Commission on April 15, 2004.

The retail portion of the Company's business is subject to seasonal variations in which a greater percent of the Company's net sales and net income typically occur during the period from August 1 through December 31 of the fiscal year. Accordingly, the results of operations for the three and nine months ended October 31, 2004 are not necessarily indicative of the results to be expected for the full year.

2. Equity and Stock Splits

On August 14, 2003, our Board of Directors authorized a two-for-one split of our common shares in the form of a 100% stock dividend. The additional shares issued as a result of the stock split were distributed on September 19, 2003 to shareholders of record as of September 5, 2003.

In addition, on June 1, 2004, our Board of Directors authorized a two-for-one split of our common shares in the form of a 100% stock dividend. The additional shares issued as a result of the stock split were distributed on or about July 9, 2004 to shareholders of record as of June 22, 2004.

All relevant amounts in the accompanying unaudited condensed consolidated financial statements and the notes thereto have been restated to reflect the stock splits for all periods presented.

3. Reclassification

Certain auction rate securities have been reclassified from cash equivalents to short-term marketable securities. Auction rate securities are variable rate bonds tied to short term interest rates with maturities on the face of the securities in excess of 90 days. Auction rate securities have interest rate resets through a modified Dutch auction, at predetermined short term intervals, usually every 7, 28 or 35 days. They trade at par and are callable at par on any interest payment date at the option of the issuer. Interest paid during a given period is based upon the interest rate determined during the prior auction.

Although these securities are issued and rated as long term bonds, they are priced and traded as short term instruments because of the liquidity provided through the interest rate reset. The Company had historically classified these instruments as cash equivalents if the period between interest rate resets was 90 days or less, which was based on our ability to either liquidate our holdings or roll our investment over to the next reset period.

Based upon the Company's re-evaluation of the maturity dates associated with the underlying bonds, the Company has reclassified its auction rate securities, previously classified as cash equivalents, as short-term marketable securities for each of the periods presented in the accompanying condensed consolidated balance

URBAN OUTFITTERS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

sheets. In addition, “Purchases of marketable securities” and “Sales and maturities of marketable securities”, included in the accompanying Condensed Consolidated Statements of Cash Flows, have been revised to reflect the purchase and sale of auction rate securities during the periods presented.

4. Marketable Securities

During all periods presented, marketable securities are classified as available for sale. The amortized cost, gross unrealized gains (losses) and fair value of available-for-sale securities by major security type and class were as follows:

	Amortized Cost	Unrealized Gains (Losses)	Fair Value
As of October 31, 2004			
Municipal bonds:			
Maturing in less than one year	\$ 23,605	\$ (102)	\$ 23,503
Maturing after one year through four years	64,105	(6)	64,099
	<u>87,710</u>	<u>(108)</u>	<u>87,602</u>
Auction rate instruments:			
Maturing in less than one year	57,999	—	57,999
Maturing after one year through two years	3,000	—	3,000
	<u>60,999</u>	<u>—</u>	<u>60,999</u>
	<u>\$ 148,709</u>	<u>\$ (108)</u>	<u>\$ 148,601</u>
As of January 31, 2004			
Municipal bonds:			
Maturing in less than one year	\$ 11,567	\$ 12	\$ 11,579
Maturing after one year through four years	45,347	(32)	45,315
	<u>56,914</u>	<u>(20)</u>	<u>56,894</u>
Auction rate instruments:			
Maturing in less than one year	38,450	—	38,450
Maturing after one year through two years	7,000	—	7,000
	<u>45,450</u>	<u>—</u>	<u>45,450</u>
	<u>\$ 102,364</u>	<u>\$ (20)</u>	<u>\$ 102,344</u>
As of October 31, 2003			
Municipal bonds:			
Maturing in less than one year	\$ 9,127	\$ 17	\$ 9,144
Maturing after one year through four years	46,735	(21)	46,714
	<u>55,862</u>	<u>(4)</u>	<u>55,858</u>
Auction rate instruments:			
Maturing in less than one year	35,350	—	35,350
Maturing after one year through four years	2,000	—	2,000
	<u>37,350</u>	<u>—</u>	<u>37,350</u>
	<u>\$ 93,212</u>	<u>\$ (4)</u>	<u>\$ 93,208</u>

URBAN OUTFITTERS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

5. Line of Credit Facility

On September 30, 2004, we renewed and amended our line of credit facility (the “Line”). The Line is a three-year \$35.0 million revolving credit facility with an accordion feature allowing an increase to \$50.0 million at the Company’s discretion. The Line contains a sub-limit for borrowings by our European subsidiaries that are guaranteed by the Company. Cash advances bear interest at LIBOR plus 0.50% to 1.60% based on our achievement of prescribed adjusted debt ratios. The Line subjects us to various restrictive covenants, including maintenance of certain financial ratios and covenants such as fixed charge coverage and adjusted debt. The covenants also include limitations on our capital expenditures, ability to repurchase shares and the payment of cash dividends. As of October 31, 2004, the Company is in compliance with all covenants under the Line. As of and during the nine months ended October 31, 2004, there were no borrowings under the Line. Outstanding letters of credit and stand-by letters of credit under the Line totaled approximately \$23.4 million as of October 31, 2004. The available borrowing under the Line was \$11.6 million as of October 31, 2004.

6. Commitments and Contingencies

On March 26, 2004, an employee filed an employment related suit seeking class action status, unspecified monetary damages and equitable relief against Anthropologie, Inc., a subsidiary of the Company, in the Superior Court of California for Orange County. The complaint alleges that, under California law, the plaintiff and certain other employees were misclassified as employees exempt from overtime and seeks recovery of unpaid wages, penalties and damages. The Company believes the claim is frivolous and without merit and intends to defend it vigorously.

The Company is party to various other legal proceedings arising from normal business activities. Management believes that the ultimate resolution of these matters will not have a material adverse effect on the Company’s financial position or results of operations.

7. Stock Based Employee Compensation

The Company accounts for stock-based compensation under the provisions of Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees.” In 1995, the FASB issued SFAS No. 123, which established a fair value based method of accounting for stock-based employee compensation. The Company has adopted the disclosure requirements of SFAS No. 123.

The Company may make restricted stock awards to employees, non-employee directors and consultants. A restricted stock award is an award of common shares that is subject to certain restrictions during a specified period, such as an employee’s continued employment with the Company or the Company achieving certain financial goals. The Company holds the common shares during the restriction period, and the grantee cannot transfer the shares before the termination of that period. The grantee is, however, generally entitled to vote the common shares and receive any dividends declared and paid on the Company’s common shares during the restriction period. Unearned compensation is recorded as a component of shareholders’ equity and amortized over the vesting period of the award as stock compensation expense in the Company’s results of operations.

URBAN OUTFITTERS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Had compensation costs for the Company's stock-based employee compensation plans been determined under SFAS No. 123, the Company's net income and net income per common share would have decreased to the following pro forma amounts:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2004	2003	2004	2003
Net income—as reported	\$ 26,036	\$14,087	\$ 63,413	\$29,947
Add: Stock based employee compensation expense included in the determination of net income as reported, net of related tax effect	177	—	248	—
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all grants, net of related tax effects	(11,493)	(1,463)	(17,442)	(3,281)
Net income—pro forma	\$ 14,720	\$12,624	\$ 46,219	\$26,666
Net income per common share—basic—as reported	\$ 0.32	\$ 0.18	\$ 0.79	\$ 0.38
Net income per common share—basic—pro forma	\$ 0.18	\$ 0.16	\$ 0.57	\$ 0.34
Net income per common share—diluted—as reported	\$ 0.31	\$ 0.17	\$ 0.76	\$ 0.37
Net income per common share—diluted—pro forma	\$ 0.18	\$ 0.16	\$ 0.56	\$ 0.33

8. Net Income Per Common Share

The following is a reconciliation of the weighted average shares outstanding used for the computation of basic and diluted net income per common share:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2004	2003	2004	2003
Basic weighted average shares outstanding	81,047,615	78,888,858	80,563,086	78,248,780
Effect of dilutive options	3,028,641	2,618,968	2,844,910	2,008,518
Diluted weighted average shares outstanding	84,076,256	81,507,826	83,407,996	80,257,298

For the three months ended October 31, 2004 and 2003, there were no options outstanding that were not included in our computation of diluted "weighted average common shares and common share equivalents outstanding". Options to purchase 701,000 and 100,000 common shares were outstanding for the nine months ended October 31, 2004 and 2003, respectively, but were not included in our computation, as their effect would have been anti-dilutive.

URBAN OUTFITTERS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

9. Segment Reporting

Urban Outfitters is a national retailer of lifestyle-oriented general merchandise consisting of 134 stores as of October 31, 2004, operating under the retail names “Urban Outfitters,” “Anthropologie” and “Free People” and through two catalogs and three web sites. Net sales from this retail segment accounted for over 96% of total consolidated net sales for the three and nine months ended October 31, 2004 and 2003. The remainder was derived from our wholesale division that manufactures and distributes apparel to the Company’s retail segment and to approximately 1,100 specialty retailers and department stores worldwide.

The Company has separated its operations into these two reportable segments based upon their unique management, customer base and economic characteristics. Reporting in this format provides management with the financial information necessary to evaluate the success of the segments and the overall business. The Company evaluates the performance of the segments based on the net sales and pre-tax income from operations (excluding intercompany royalty and interest charges) of the segment. Corporate expenses, which include expenses incurred in and directed by the corporate office, are not allocated to segments. The principal identifiable assets for each operating segment are inventories and property and equipment. Other assets are comprised primarily of general corporate assets, principally consisting of cash and cash equivalents, marketable securities and other assets, which are typically not allocated to the segments. The Company accounts for inter-segment sales and transfers as if the sales and transfers were made to third parties making similar volume purchases.

Both the retail and wholesale segment are highly diversified. No customer comprises more than 10% of sales.

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2004	2003	2004	2003
Net sales				
Retail operations	\$ 208,072	\$ 137,101	\$ 555,268	\$ 357,842
Wholesale operations	9,062	5,946	22,491	16,138
Intersegment elimination	(781)	(716)	(1,632)	(1,742)
Total net sales	\$ 216,353	\$ 142,331	\$ 576,127	\$ 372,238
Income from operations				
Retail operations	\$ 42,930	\$ 23,991	\$ 107,734	\$ 51,096
Wholesale operations	2,005	376	4,286	1,240
Intersegment elimination	(77)	(128)	(230)	(291)
Total segment operating income	44,858	24,239	111,790	52,045
General corporate expenses	(1,676)	(761)	(6,092)	(2,406)
Total income from operations	\$ 43,182	\$ 23,478	\$ 105,698	\$ 49,639

URBAN OUTFITTERS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	October 31, 2004	January 31, 2004	October 31, 2003
Property and equipment, net			
Retail operations	\$ 146,970	\$ 120,948	\$ 122,146
Wholesale operations	1,056	971	877
Total property and equipment, net	\$ 148,026	\$ 121,919	\$ 123,023
Inventories			
Retail operations	\$ 109,359	\$ 60,571	\$ 70,389
Wholesale operations	3,534	2,676	1,824
Total inventories	\$ 112,893	\$ 63,247	\$ 72,213

The Company has foreign operations in Europe and Canada. Revenues and long-term assets, based upon our domestic and foreign operations, are as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2004	2003	2004	2003
Net sales				
Domestic operations	\$ 203,908	\$ 136,172	\$ 546,879	\$ 356,372
Foreign operations	12,445	6,159	29,248	15,866
Total net sales	\$ 216,353	\$ 142,331	\$ 576,127	\$ 372,238
	October 31, 2004	January 31, 2004	October 31, 2003	
Property and equipment, net				
Domestic operation	\$ 131,684	\$ 109,485	\$ 112,307	
Foreign operations	16,342	12,434	10,716	
Total property and equipment, net	\$ 148,026	\$ 121,919	\$ 123,023	

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

GENERAL

This Securities and Exchange Commission filing is being made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Certain matters contained in this filing may constitute forward-looking statements. When used in this Form 10-Q, the words "project," "believe," "anticipate," "expect," "plan" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Any one, or all, of the following factors could cause actual financial results to differ materially from those financial results mentioned in the forward-looking statements: the difficulty in predicting and responding to shifts in fashion trends, changes in the level of competitive pricing and promotional activity and other industry factors, overall economic and market conditions and the resultant impact on consumer spending patterns, any effects of terrorist acts or war, availability of suitable retail space for expansion, timing of store openings, seasonal fluctuations in gross sales, the departure of one or more key senior managers, import risks, including potential disruptions and changes in duties, tariffs and quotas and other risks identified in the Company's filings with the Securities and Exchange Commission. The Company disclaims any intent or obligation to update forward-looking statements even if experience or future changes make it clear that actual results may differ materially from any projected results expressed or implied therein.

OVERVIEW

Our fiscal year ends on January 31. All references in this discussion to our fiscal years refer to the fiscal years ended on January 31 in those years. For example, our fiscal 2005 will end on January 31, 2005.

We operate two business segments, a lifestyle merchandising retailing segment and a wholesale apparel business. Our retailing segment consists of our Urban Outfitters, Anthropologie and Free People stores. In addition, Urban Outfitters and Anthropologie offer merchandise through our direct-to-consumer operations, which consist of a catalog and web site for each of these brands. Also our Free People brand launched its new web site during the third quarter of fiscal 2005. Our wholesale segment consists of our Free People Wholesale division.

A store is included in comparable store net sales data, as presented in this discussion, when it has been open at least one year and it has not been materially expanded or remodeled within that year or has not been operating at its full capacity. A store is considered non-comparable when, in general, the store had no comparable prior year sales. Non-store sales, such as catalog, internet and wholesale sales, are also considered non-comparable.

Our comparable store sales, thus far in the fourth quarter of fiscal 2005, remain significantly ahead of our plan. Increases to comparable stores sales help leverage costs that are fixed in nature, including occupancy and the store management payroll portion of selling expenses. If our total comparable store sales rates were to decrease significantly or become negative, it is more than likely that our occupancy costs and selling expenses as a percentage of revenue could be negatively impacted. Any of our business risk factors could impact our sales, and accordingly, our occupancy costs and selling expenses could de-leverage. It is reasonably likely that a significant decrease in the comparable store sales rates or a negative comparable store sale rate will have a material adverse effect on our financial condition or results of operations.

Our business segments are sensitive to economic conditions, consumer spending, shifts in fashion and industry and demographic conditions. We are subject to seasonal variations and face numerous business risk factors. Consumer purchases of discretionary retail items and specialty retail products, which include our products, may decline during recessionary periods and also may decline at other times when disposable income is

[Table of Contents](#)

lower. A prolonged economic downturn could have a material adverse impact on our business, financial condition or results of operations. There is a risk that consumer sentiment may turn negative due to economic and/or geo-political factors which could negatively impact our financial position and results of operations.

Our business is dependent upon our ability to predict fashion trends, customer preferences and other fashion-related factors. Customer tastes and fashion trends are volatile and tend to change rapidly. Our success depends in part on management's ability to effectively predict and respond to changing fashion tastes and consumer demands, and to translate market trends into appropriate, saleable product offerings far in advance. If we are unable to successfully predict or respond to changing styles or trends and misjudge the market for our products or any new product lines, our sales will be lower and we may be faced with a substantial amount of unsold inventory. In response, we may be forced to rely on additional markdowns or promotional sales to dispose of excess, slow-moving inventory, which may have a material adverse effect on our financial condition or results of operations. Compared to our retail segments, our wholesale business is more sensitive to changes in fashion trends because of longer lead times in the design and manufacture of its apparel. While we do not plan for mistakes in our fashion offering selections, our fashion decisions constitute a material risk and may have an adverse effect on our financial condition and results of operations.

We plan to grow our store base by approximately 20% per year. We may not be successful in expanding our business and opening new retail stores. Our growth strategy depends on our ability to open and operate new retail stores on a profitable basis. Our operating complexity and management responsibilities will increase as our store base grows, and we may face challenges in managing our future growth. Such growth will require that we continue to expand and improve our operations, including our distribution and business support infrastructures, and expand, train and manage our employee base. In addition, we may be unable to hire a sufficient number of qualified personnel to work in our new stores or to successfully integrate the stores into our business.

Our expansion prospects also depend on a number of other factors, many of which are beyond our control, including, among other things:

- competition;
- the availability of capital to invest in new stores and infrastructure;
- working capital requirements to fund operations;
- the availability of suitable sites for new store locations on acceptable lease terms; and
- the availability of inventory.

There can be no assurance that we will be able to achieve our store expansion goals. Even if we succeed in opening new stores as planned, we cannot assure you that our newly opened stores will achieve revenue or profitability levels comparable to those of our existing stores in the time periods estimated by us, or at all. If our stores fail to achieve, or are unable to sustain, acceptable revenue and profitability levels, we may incur significant costs associated with closing those stores.

Retail Stores

As of October 31, 2004, we operated 71 Urban Outfitters stores ("Urban Retail") of which 64 were located in the United States, 2 in Canada, 4 in the United Kingdom and 1 in Ireland. Urban Retail targets young adults aged 18 to 30 through a unique merchandise mix and compelling store environment. Our product offering includes women's and men's fashion apparel, footwear and accessories, as well as an eclectic mix of apartment wares and gifts. We plan to open many additional stores over the next several years, some of which may be outside the United States. Urban Retail's North American and European store sales accounted for approximately 44% and 4% of consolidated net sales, respectively, for the nine months ended October 31, 2004, as compared to 47% and 3% for the nine months ended October 31, 2003.

We operated 62 Anthropologie stores as of October 31, 2004, all of which were located in the United States. Anthropologie tailors its merchandise to sophisticated contemporary women aged 30 to 45. Our product

Table of Contents

assortment includes women's casual apparel and accessories, home furnishings and a diverse array of gifts and decorative items. We plan to open many additional stores over the next several years in the United States. Anthropologie store sales accounted for approximately 38% of consolidated net sales for the nine months ended October 31, 2004 and 2003.

Our Free People retail store is located in Paramus, New Jersey and primarily offers Free People branded women's merchandise targeted to young contemporary women. We plan to open a limited number of additional stores in the United States over the next several years, including one store in the fourth quarter of fiscal 2005. Free People's retail store sales accounted for less than 1% of consolidated net sales for the nine months ended October 31, 2004 and 2003.

Direct-to-consumer

In March 1998, Anthropologie introduced a direct-to-consumer catalog offering selected merchandise, most of which is also available in our Anthropologie stores. We believe that this catalog has been instrumental in building brand awareness with our target customers. We plan to circulate approximately 16.0 million catalogs during fiscal 2005 and we plan to increase the level of catalog circulation over the next few years. During the first nine months of fiscal 2005, Anthropologie distributed approximately 12.0 million catalogs.

Anthropologie operates an Internet web site that accepts orders directly from consumers. The web site, www.anthropologie.com, debuted in December 1998. The web site captures the spirit of the store by offering a similar array of apparel, accessories, and household and gift merchandise to that found in the store. As with our Anthropologie catalog, we believe that the web site enhances Anthropologie's reputation and increases brand recognition with its target customers and contributes to the strength of Anthropologie's store operations.

Urban Outfitters also launched a commerce enabled internet website in May 2000, www.urbanoutfitters.com. The web site captures the spirit of the store by offering a similar selection of merchandise to that found in the store. We believe the web site enhances the reputation and increases recognition of this brand with its target customers, as well as contributes to the strength of Urban Outfitters store operations.

In March 2003, Urban Outfitters introduced a direct-to-consumer catalog offering selected merchandise, much of which is also available in our Urban Outfitters stores. We believe this catalog has expanded our distribution channels and increased brand awareness. Based on the overwhelmingly positive customer response we received to the catalog in fiscal 2004, we plan to expand circulation to approximately 10.0 million catalogs in fiscal 2005, of which approximately 7.0 million copies were distributed during the first nine months of fiscal 2005.

Free People has successfully launched its own Internet web site that accepts orders directly from consumers, www.freepeople.com, was launched in October 2004. The web site captures the spirit of the store by offering a similar selection of merchandise to that found in the store. As with the web sites of our other brands, we believe the Free People website enhances the reputation and increases recognition of this brand with its target customers, as well as contributes to the strength of Free People Wholesale and store operations.

Direct-to-consumer sales were approximately 10% of consolidated net sales for the nine months ended October 31, 2004, as compared to 8% for the nine months ended October 31, 2003.

Wholesale

The Free People wholesale division designs, develops and markets young women's contemporary casual apparel. Our range of tops, bottoms, sweaters and dresses are sold worldwide through approximately 1,100 better department and specialty stores, including Bloomingdale's, Marshall Fields, Macy's West, Urban Outfitters and our own Free People store. Free People wholesale sales accounted for approximately 4% of consolidated net sales for the nine months ended October 31, 2004 and 2003.

[Table of Contents](#)

New Stores

During the nine months ended October 31, 2004, we have opened ten new Anthropologie stores and ten new Urban Outfitters stores. We plan to open approximately four to eight additional new stores during the remainder of the fiscal year, including one new Free People store. The new stores, with the exception of our planned Free People store, will be divided approximately evenly between Urban Outfitters and Anthropologie. We plan to add new store units at a rate of approximately 20% per annum. Through a combination of opening new stores, growing comparable store sales and continuing the growth of our direct-to-consumer and wholesale operations, our goal is to increase net sales in excess of 20% per year.

Although we have no precise empirical data as it relates to customer traffic or customer conversion rates in our stores, we believe, based only on our physical observations, the increases in our key sales metrics, as discussed in our Results of Operations, correlate to an increase in customer traffic. We believe this may be caused by a combination of positive response to our brands' fashion offerings, our web advertising, additional circulation of our catalogs and an overall growth in brand recognition as we expand our store base, including expansion into enclosed malls and specialty retail centers. Any significant change in the business risk factors, some of which are discussed above, may affect our sales and may have a material effect on our financial condition or results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. These generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period.

Our senior management has reviewed the critical accounting policies with our audit committee. Our significant accounting policies are described in Note 2 to our audited consolidated financial statements for the fiscal year ended January 31, 2004, which are included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 15, 2004. We believe that the following discussion addresses our critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. If actual results were to differ significantly from estimates made, the reported results could be materially affected. However, we are not currently aware of any reasonably likely events or circumstances that would cause our actual results to be materially different from our estimates.

Revenue Recognition

Revenue is recognized at the point-of-sale for retail store sales or when merchandise is shipped to customers for wholesale and direct-to-consumer sales, net of estimated customer returns. Payment for merchandise at our stores and through our direct-to-consumer business is by cash, check, credit card, debit card or gift card. Therefore, our need to collect outstanding accounts receivable is negligible and mainly results from returned checks or unauthorized credit card charges. Deposits for custom orders are recorded as a liability and recognized as a sale upon delivery of the merchandise to the customer. These custom orders, typically for upholstered furniture, have not been material. Gift card sales to customers are initially recorded as liabilities and recognized as sales upon redemption.

[Table of Contents](#)

Sales Return Reserve

We record a reserve for estimated product returns where the sale has occurred during the period reported, but the return is likely to occur subsequent to the period reported and may otherwise be considered in-transit. The reserve for estimated in-transit product returns is based on our most recent historical return trends. If the actual return rate or experience is materially different than our estimate, additional sales returns would be recorded in the future.

Inventories

We value our inventories, which consist primarily of general consumer merchandise held for sale, at the lower of cost or market. Cost is determined on the first-in, first-out method and includes the cost of merchandise and freight. A periodic review of inventory quantities on hand is performed in order to determine if inventory is properly stated at the lower of cost or market. Factors related to current inventories, such as future consumer demand and fashion trends, current aging, current and anticipated retail markdowns or wholesale discounts, and class or type of inventory are analyzed to determine estimated net realizable values. Criteria utilized by us to quantify aging trends includes factors such as average selling cycle and seasonality of merchandise, historical rate at which merchandise has sold below cost during the average selling cycle, and merchandise currently priced below original cost. A provision is recorded to reduce the cost of inventories to the estimated net realizable values, if required. Inventories as of October 31, 2004, January 31, 2004 and October 31, 2003 totaled \$112.9 million, \$63.2 million and \$72.2 million, respectively, representing approximately 24.3%, 17.6% and 21.7% of total assets, respectively. Any significant unanticipated changes in the factors noted above could have a significant impact on the value of our inventories and our reported operating results.

We rely heavily on our ability to identify changes in fashion. Our inability to reasonably determine these changes may lead to higher seasonal inventory levels and a future need to increase markdowns to liquidate our inventory. We take measures to mitigate this risk, including designing goods in-house in conjunction with buying our goods from the open market. We use our catalogs to help predict the fashion appropriateness of seasonal merchandise in our stores. Our reserves related to adjusting the net realizable value of our inventories are primarily based on recent historical trends. Our estimates generally have been accurate and our reserve methods are consistent. We expect the amount of our reserves to increase over time as we expand our store base and accordingly, related inventories.

Long-Lived Assets

Our long-lived assets consist principally of store leasehold improvements and are included in the "Property and equipment, net" line item in our condensed consolidated balance sheets included in this report. Store leasehold improvements are recorded at cost and are amortized using the straight-line method over the lesser of the applicable store lease term or the estimated useful life of the leasehold improvements. The typical initial lease term for our stores is ten years. Net property and equipment as of October 31, 2004, January 31, 2004 and October 31, 2003 totaled \$148.0 million, \$121.9 million and \$123.0 million, respectively, representing 31.9%, 33.9% and 36.9% of total assets, respectively.

In assessing potential impairment of these assets, we periodically evaluate historical and forecasted operating results and cash flows on a store-by-store basis. If economic conditions are substantially different from our expectations, the carrying value of certain of our long-lived assets may become impaired. We review all store locations on a periodic basis, however we generally allow a three year period to occur from the date a new store location has opened before we consider it for impairment. Newly opened stores may take time to generate positive operating and cash flow results. Factors such as store type (e.g., mall versus free-standing), store location (e.g., urban area versus college campus or suburb), current marketplace awareness of the Urban Outfitters, Anthropologie and Free People brands, local customer demographic data, operating margin improvement trends and current fashion trends are all considered in determining whether our investment in a new store has possibly become impaired. For the nine months ended October 31, 2004 and 2003, as well as for fiscal 2004, we had no write-down of long-lived assets.

[Table of Contents](#)

We have only closed two stores in our history. We have not historically encountered material early retirement charges related to our long-lived assets. The cost of assets sold or retired and the related accumulated depreciation or amortization is removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to operating expense as incurred. Major renovations or improvements that extend the service lives of our assets are capitalized over the extension period.

Accounting for Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the tax jurisdictions in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes, such as depreciation of property and equipment and valuation of inventories. We determine our provision for income taxes based on tax laws currently in effect. Legislative changes currently proposed by certain states in which we operate, if enacted, could increase the transactions or activities subject to tax. Any such legislation that becomes law could result in an increase in our income tax expense, which could have a material adverse effect on our results of operations.

The temporary differences between the treatment of items for tax and accounting purposes result in deferred tax assets and liabilities, which are included within our consolidated balance sheets. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income. Actual results could differ from this assessment if adequate taxable income is not generated in future periods. Deferred tax assets as of October 31, 2004, January 31, 2004 and October 31, 2003 totaled approximately \$13.8 million, \$13.8 million and \$12.7 million, respectively, representing approximately 3.0%, 3.8% and 3.8% of total assets, respectively. To the extent we believe that recovery is at risk, we must establish valuation allowances. To the extent we establish valuation allowances or increase the allowances in a period, we must include an expense within the tax provision in the consolidated statement of operations. On a quarterly basis, management evaluates and assesses the realizability of deferred tax assets and adjusts valuation allowances if required.

Accounting for Contingencies

From time to time, we are named as a defendant in legal actions arising from our normal business activities. We account for contingencies such as these in accordance with Statement of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies." SFAS No. 5 requires us to record an estimated loss contingency when information available prior to issuance of our financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accounting for contingencies arising from contractual or legal proceedings requires management to use its best judgment when estimating an accrual related to such contingencies. As additional information becomes known, our accrual for a loss contingency could fluctuate, thereby creating variability in our results of operations from period to period. Likewise, an actual loss arising from a loss contingency that significantly exceeds the amount accrued in our financial statements could have a material adverse impact on our operating results for the period in which such actual loss becomes known.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the percentage of the Company's net sales represented by certain income statement data. The following table should be read in conjunction with the discussion that follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2004	2003	2004	2003
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales, including certain buying, distribution and occupancy costs	57.7	60.1	58.7	62.3
Gross profit	42.3	39.9	41.3	37.7
Selling, general and administrative expenses	22.3	23.4	23.0	24.4
Income from operations	20.0	16.5	18.3	13.3
Other income, net	0.2	0.1	0.2	0.2
Income before income taxes	20.2	16.6	18.5	13.5
Income tax expense	8.2	6.7	7.5	5.5
Net income	12.0%	9.9%	11.0%	8.0%

**THREE MONTHS ENDED OCTOBER 31, 2004 COMPARED TO
THREE MONTHS ENDED OCTOBER 31, 2003**

Net sales increased by 52.1% during the three months ended October 31, 2004 to \$216.4 million from \$142.3 million for the same period last year. The \$74.1 million increase during the third quarter of fiscal 2005 was the result of an increase in noncomparable and new store sales of \$37.8 million, an increase in comparable store sales of \$22.4 million, or 18.2%, an increase in direct-to-consumer sales of \$10.8 million, or 85.3%, and an increase in net wholesale sales at Free People of \$3.1 million or 58.2%.

Urban Outfitters, Anthropologie and Free People experienced an increase in comparable store sales for the third quarter of fiscal 2005 of 15.5%, 22.4% and 48.3%, respectively, compared to the third quarter of fiscal 2004. The increase was driven primarily by an increase in the number of transactions recorded and a moderate increase in the average unit retail price and the number of items sold per transaction.

The increase in net sales attributable to noncomparable and new stores was the result of a 37.1% increase in the number of stores in operation that did not operate for the full comparable quarter last year.

Direct-to-consumer net sales increased as a result of increased customer response to our catalogs, solicitations and improved traffic flow through our web sites. During the third quarter of fiscal 2005, both the Anthropologie and Urban Outfitters direct businesses benefited from an increase in catalog circulation of 16% and 88%, respectively, over the third quarter of fiscal year 2004. In addition, customer response rates during the quarter increased 28% compared to the same period in the prior fiscal year. Furthermore, in the fourth quarter of fiscal 2004, Urban Outfitters successfully launched an enhanced version of its www.urbanoutfitters.com web site to provide our customers greater functionality and increased speed. We believe the improvements helped to increase our response rate. Also during October 2004, Free People successfully launched its Internet web-site. Viewership and sales at this site are running well ahead of plan.

The increase in our Free People wholesale business was driven by an increase in customer response to our fall and holiday fashion offerings, which led to an increase in the average order value.

[Table of Contents](#)

Our gross profit margin rose to 42.3% of net sales in the third quarter of fiscal 2005 compared to 39.9% of net sales for the comparable period last year. This increase was primarily driven by the leveraging of occupancy costs due to the significant comparable store sale increases as well as improvements to the initial cost of goods resulting from better buying and sourcing of our products.

Selling, general and administrative expenses decreased to 22.3% of net sales in the third quarter of fiscal 2005 compared to 23.4% for the comparable quarter last year. This improvement was primarily generated by the leveraging of selling expenses as a result of the increase in comparable store sales. Total selling, general and administrative expenses increased by \$14.9 million or, 44.8% during the third quarter of fiscal 2005, compared to the comparable period in fiscal 2004 and is primarily related to store direct selling costs, as well as general and administrative costs to operate 31 additional stores that were opened since the end of the second quarter of fiscal 2004.

Net income for the quarter ended October 31, 2004 increased by 84.8% to \$26.0 million, or \$0.31 per diluted common share, compared to \$14.1 million, or \$0.17 per diluted common share, for the comparable quarter last year.

NINE MONTHS ENDED OCTOBER 31, 2004 COMPARED TO NINE MONTHS ENDED OCTOBER 31, 2003

Net sales increased by 54.8% during the nine months ended October 31, 2004 to \$576.1 million from \$372.2 million for the comparable period last year. The \$203.9 million increase over the same nine month period in fiscal 2004 was the result of an increase in noncomparable and new store sales of \$88.0 million, an increase in comparable store sales of \$80.4 million, or 25.6%, an increase in direct-to-consumer sales of \$29.0 million, or 92.4%, and an increase in net sales at Free People wholesale of \$6.5 million or 44.9%.

Urban Outfitters, Anthropologie, and Free People experienced an increase in comparable store sales for the nine months ended October 31, 2004 of 25.0%, 27.0% and 47.4%, respectively, compared to the comparable period in fiscal 2004. The majority of comparable store sales increases were driven by an increase in the number of transactions recorded during the nine months generated by additional customer traffic as well as a modest increase in the number of items per transaction and average sales prices.

The increase in net sales attributable to noncomparable and new stores was the result of a 44.6% increase in the number of stores in operation that did not operate for the full comparable period last year.

Direct-to-consumer net sales increased as a result of increased customer response to our catalogs, solicitations and improved traffic flow through our web sites. Both the Anthropologie and Urban Outfitters direct businesses benefited from an increase in catalog circulation which increased 19% and 256% respectively, over the same period in fiscal year 2004. In addition, customer response rates during the first nine months of the fiscal year increased 41% compared to the same period in the prior year. Furthermore, Urban Outfitters successfully launched an enhanced version of its *www.urbanoutfitters.com* web site during the fourth quarter of fiscal 2004 to provide our customers greater functionality and increased speed, which we believe also improved our response rate. During the third quarter of fiscal 2005, Free People successfully launched its commerce-enabled website. Viewership and sales at this site are running well ahead of plan.

The increase in our Free People wholesale business was driven by an increase in customer response to our seasonal fashion offerings.

Our gross profit margin increased to 41.3% of net sales in the first nine months of fiscal 2005 compared to 37.7% of net sales for the comparable period last year. The increase was primarily driven by the leveraging of occupancy costs due to the significant comparable store sale increases experienced during the first nine months of the year as well as improvements to the initial cost of goods sold resulting from better buying and sourcing of our products.

[Table of Contents](#)

Selling, general and administrative expenses decreased to 23.0% of net sales in the first nine months of fiscal 2005 compared to 24.4% for the comparable period last year. This improvement was primarily generated by the leveraging of store-related expenses as a result of the increase in comparable store sales. Total selling, general and administrative expenses increased by \$41.9 million or, 46.2% during the first nine months of fiscal 2005, compared to the comparable period in fiscal 2004 and is primarily related to store direct selling costs, as well as general and administrative costs to operate 41 additional stores that were opened since January 31, 2003.

Net income for the nine months ended October 31, 2004 increased by 111.8% to \$63.4 million, or \$0.76 per diluted common share, compared to \$29.9 million, or \$0.37 per diluted common share, for the comparable period last year.

LIQUIDITY AND CAPITAL RESOURCES

Cash, cash equivalents and marketable securities were \$154.0 million at October 31, 2004, as compared to \$139.5 million and \$107.7 million at January 31, 2004 and October 31, 2003, respectively. Increases in cash, cash equivalents and marketable securities since October 31, 2003 were primarily a result of cash provided by operating activities. Our net working capital was \$157.4 million at October 31, 2004, as compared to \$118.1 million at January 31, 2004 and \$93.1 million at October 31, 2003. The increase in net working capital is primarily due to the increase in our cash and cash equivalents, short-term marketable securities and inventories. Inventories have increased primarily due to the increase in the number of stores in operation.

We mainly satisfy our cash requirements through our cash flow from operations. By the end of fiscal 2005, we plan to construct four to eight additional stores through the remainder of fiscal 2005 for a total of 24 to 28 new stores for the fiscal year, renovate certain existing stores, increase our catalog circulation by approximately 61% to approximately 26.4 million catalogs and purchase inventory for our stores and direct business. In connection with our construction and renovation plans, we expect that capital expenditures for the current fiscal year will not exceed \$55.0 million. Both our new store and catalog investments have the ability to generate positive cash flow within the year. We believe that existing cash, cash equivalents and marketable securities at October 31, 2004, together with future cash from operations and available credit under our line of credit facility, assuming renewal or replacement, will be sufficient to fund these current commitments as well as our cash needs at least through fiscal 2007.

On September 30, 2004, we renewed and amended our line of credit facility (the "Line"). The Line is a three-year \$35.0 million revolving credit facility with an accordion feature allowing an increase to \$50.0 million at our discretion. The Line contains a sub-limit for borrowings by our European subsidiaries that are guaranteed by Urban Outfitters, Inc. Cash advances bear interest at LIBOR plus 0.50% to 1.60% based on our achievement of prescribed adjusted debt ratios. The Line subjects us to various restrictive covenants, including maintenance of certain financial ratios and covenants such as fixed charge coverage and adjusted debt. The covenants also include limitations on our capital expenditures, ability to repurchase shares and the payment of cash dividends. As of October 31, 2004, we were in compliance with all covenants under the Line. As of and during the nine months ended October 31, 2004, there were no borrowings under the Line or under the prior credit facility which expired on September 30, 2004. Outstanding letters of credit and stand-by letters of credit under the Line totaled approximately \$23.4 as of October 31, 2004. The available borrowing under the Line was \$11.6 as of October 31, 2004.

Included in our investment portfolio are auction rate securities which are variable rate bonds tied to short term interest rates with maturities on the face of the securities in excess of 90 days. Auction rate securities have interest rate resets through a modified Dutch auction, at predetermined short term intervals, usually every 7, 28 or 35 days. They trade at par and are callable at par on any interest payment date at the option of the issuer. Interest paid during a given period is based upon the interest rate determined during the prior auction. Although these

[Table of Contents](#)

securities are issued and rated as long term bonds, they are priced and traded as short term instruments because of the liquidity provided through the interest rate reset. We had historically classified these instruments as cash equivalents if the period between interest rate resets was 90 days or less based on our ability to either liquidate our holdings or roll our investment over to the next reset period.

Based upon our re-evaluation of the maturity dates associated with the underlying bonds, we have reclassified our auction rate securities, previously classified as cash equivalent, to short-term marketable securities for the periods presented.

OTHER MATTERS

Seasonality and Quarterly Results

While we have been profitable in each of our last 59 operating quarters, our operating results are subject to seasonal fluctuations. Our highest sales levels have historically occurred during the five-month period from August 1 to December 31 of each year (the back-to-school and holiday periods). Sales generated during these periods have traditionally had a significant impact on our results of operations. Any decreases in sales for these periods or in the availability of working capital needed in the months preceding these periods could have a material adverse effect on our results of operations. While the comparable store sales trend for the three and nine months ended October 31, 2004 and subsequent to that date, significantly exceeded our plan, results of operations in any one fiscal quarter are not necessarily indicative of the results of operations that can be expected for any other fiscal quarter or for the full fiscal year.

Our results of operations may also fluctuate from quarter to quarter as a result of the amount and timing of expenses incurred in connection with, and sales contributed by, new stores, store expansions and the integration of new stores into our operations or by the size and timing of catalog mailings and web site traffic for our direct-to-consumer operations. Fluctuations in the bookings and shipments of wholesale merchandise between quarters can also have positive or negative effects on earnings during the quarters.

Sarbanes-Oxley Act of 2002: Section 404 Compliance

We are evaluating our internal controls systems in order to allow management to report on, and our registered independent public accounting firm to attest to, our internal controls, as required by Section 404 of the Sarbanes-Oxley Act. We are performing the system and process evaluation and testing required in an effort to comply with the management certification and auditor attestation requirements of Section 404. As a result, we are incurring additional expense. While we anticipate being able to fully comply with the requirements relating to internal controls and all other aspects of Section 404 in a timely fashion, we cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or the impact of the same on our operations because there is no precedent available by which to measure compliance adequacy. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, we might be subject to sanctions or investigation by regulatory authorities, such as the Securities and Exchange Commission or NASDAQ. Any such action could adversely affect our financial results and the market price of our common shares.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to the following types of market risks: fluctuations in the purchase price of merchandise, as well as other goods and services; the value of foreign currencies in relation to the U.S. dollar; and changes in interest rates. Due to the Company's inventory turn rate and its historical ability to pass through the impact of any generalized changes in its cost of goods to its customers through pricing adjustments, commodity and other product risks are not expected to be material. The Company purchases substantially all its merchandise in U.S. dollars, including a portion of the goods for its stores located in Canada and Europe.

[Table of Contents](#)

The Company's exposure to market risk for changes in interest rates relates to its cash, cash equivalents and marketable securities. As of October 31, 2004, the Company's cash, cash equivalents and marketable securities consisted primarily of funds invested in money market accounts, which bear interest at a variable rate, auction rate securities rated AA or better and tax exempt municipal bonds rated AA or better, which bear interest at a fixed rate. Due to the average maturity and conservative nature of the Company's investment portfolio, we believe a sudden change in interest rates would not have a material effect on the value of our investment portfolio. As the interest rates on a material portion of our cash, cash equivalents and marketable securities are variable, a change in interest rates earned on our investment portfolio would impact interest income along with cash flows, but would not materially impact the fair market value of the related underlying instruments.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in its Exchange Act reports is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding the required disclosure. As of the end of the period covered by this Form 10-Q, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of these disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective. There have been no changes in the Company's internal controls over financial reporting during the quarter ended October 31, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

On March 26, 2004, an employee filed an employment related suit seeking class action status, unspecified monetary damages and equitable relief against Anthropologie, Inc., a subsidiary of the Company, in the Superior Court of California for Orange County. The complaint alleges that, under California law, the plaintiff and certain other employees were misclassified as employees exempt from overtime and seeks recovery of unpaid wages, penalties and damages. The Company believes the claim is frivolous and without merit and intends to defend it vigorously.

The Company is party to various legal proceedings arising from normal business activities. Management believes that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position or results of operations.

Item 6. Exhibits

(a) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
3.1	Amended and Restated Articles of Incorporation incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q filed on September 9, 2004.
3.2	Amendment No. 1 to Amended and Restated Articles of Incorporation incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q filed on September 9, 2004.
3.3	Amended and Restated Bylaws are incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-1 (File No. 33-69378) filed on September 24, 1993.
10.1*	Amended and Restated Credit Agreement by and among Urban Outfitters, Inc. and Wachovia Bank, National Association.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of the Company's Principal Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of the Company's Principal Financial Officer.
32.1**	Section 1350 Certification of the Company's Principal Executive Officer.
32.2**	Section 1350 Certification of the Company's Principal Financial Officer.

* Filed herewith

** Furnished herewith

AMENDED AND RESTATED

CREDIT AGREEMENT

dated September 23, 2004

by and among

URBAN OUTFITTERS, INC.,
and its Subsidiaries listed on Schedule 1 hereto,

as Borrowers,

the Lenders referred to herein,

and

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS	1
Section 1.1 Definitions	1
Section 1.2 General	15
Section 1.3 Other Definitions and Provisions	15
ARTICLE II CREDIT FACILITY	15
Section 2.1 Loans	15
Section 2.2 Procedure for Advances of Loans	16
Section 2.3 Repayment of Loans	17
Section 2.4 Notes	17
Section 2.5 Change in Commitment	18
Section 2.6 Termination of the Aggregate Commitment	18
Section 2.7 Use of Proceeds	18
Section 2.8 Joint and Several Obligations	18
Section 2.9 Dollar Equivalent	19
ARTICLE III LETTERS OF CREDIT	19
Section 3.1 L/C Commitment	19
Section 3.2 Terms of Letters of Credit	19
Section 3.3 Existing Letters of Credit issued by Wachovia	20
Section 3.4 Cash Collateral for Letters of Credit	20
Section 3.5 Procedure for Issuance of Letters of Credit	21
Section 3.6 Commissions and Other Charges	21
Section 3.7 L/C Participations	21
Section 3.8 Reimbursement Obligation of the Borrowers	22
Section 3.9 Obligations Absolute	22
Section 3.10 General Terms of Documentary Letters of Credit	23
Section 3.11 Effect of Application	24
Section 3.12 Letter of Credit Documents	24
ARTICLE IV GENERAL LOAN PROVISIONS	24
Section 4.1 Interest	24
Section 4.2 Notice and Manner of Conversion or Continuation of Loans	26
Section 4.3 Fees	27
Section 4.4 Manner of Payment	27
Section 4.5 Credit of Payments and Proceeds	27
Section 4.6 Changed Circumstances	28
Section 4.7 Indemnity	29
Section 4.8 Capital Requirements	30
Section 4.9 Taxes	30
Section 4.10 Guaranty	31
Section 4.11 Adjustments	31
Section 4.12 Nature of Obligations of Lenders Regarding Extensions of Credit; Assumption by the Administrative Agent	32
Section 4.13 Currencies; Currency Equivalent and Related Provisions	32

ARTICLE V CLOSING; CONDITIONS OF CLOSING AND BORROWING	34
Section 5.1 Closing	34
Section 5.2 Conditions to Closing and Initial Extensions of Credit	34
Section 5.3 Conditions to All Extensions of Credit	36
ARTICLE VI REPRESENTATIONS AND WARRANTIES OF THE BORROWERS	37
Section 6.1 Representations and Warranties	37
Section 6.2 Survival of Representations and Warranties, Etc.	43
ARTICLE VII FINANCIAL INFORMATION AND NOTICES	43
Section 7.1 Financial Statements and Projections	43
Section 7.2 Officer's Compliance Certificate	44
Section 7.3 Accountants' Certificate	44
Section 7.4 Other Reports	44
Section 7.5 Notice of Litigation and Other Matters	45
Section 7.6 Accuracy of Information	45
ARTICLE VIII AFFIRMATIVE COVENANTS	45
Section 8.1 Preservation of Corporate Existence and Related Matters	45
Section 8.2 Maintenance of Property	46
Section 8.3 Insurance	46
Section 8.4 Accounting Methods and Financial Records	46
Section 8.5 Payment and Performance of Obligations	46
Section 8.6 Compliance With Laws and Approvals	46
Section 8.7 Environmental Laws	46
Section 8.8 Compliance with ERISA	47
Section 8.9 Compliance With Agreements	47
Section 8.10 Conduct of Business	47
Section 8.11 Visits and Inspections	47
Section 8.12 Additional Guarantors	47
Section 8.13 Maintain Cash Collateral Account	47
Section 8.14 Subsequent Credit Terms	47
Section 8.15 Opinions of Counsel to Non-U.S. Borrowers	48
Section 8.16 Further Assurances	48
Section 8.17 Bank Accounts	48
ARTICLE IX FINANCIAL COVENANTS	48
Section 9.1 Fixed Charge Coverage Ratio	48
Section 9.2 Adjusted Debt to EBITDAR Ratio	48
ARTICLE X NEGATIVE COVENANTS	48
Section 10.1 Limitations on Debt	48
Section 10.2 Limitations on Guaranty Obligations	49
Section 10.3 Limitations on Liens	50
Section 10.4 Limitations on Loans, Advances, Investments and Acquisitions	50
Section 10.5 Limitations on Mergers and Liquidation	51
Section 10.6 Limitations on Sale of Assets	51
Section 10.7 Limitations on Dividends and Distributions	52
Section 10.8 Limitations on Exchange and Issuance of Capital Stock	52
Section 10.9 Transactions with Affiliates	52
Section 10.10 Certain Accounting Changes	52
Section 10.11 Amendments; Payments and Prepayments of Subordinated Debt	53
Section 10.12 Restrictive Agreements	53

Section 10.13	Capital Expenditures	53
ARTICLE XI DEFAULT AND REMEDIES		53
Section 11.1	Events of Default	53
Section 11.2	Remedies	55
Section 11.3	Rights and Remedies Cumulative; Non-Waiver, etc.	55
ARTICLE XII THE ADMINISTRATIVE AGENT		56
Section 12.1	Appointment	56
Section 12.2	Delegation of Duties	56
Section 12.3	Exculpatory Provisions	56
Section 12.4	Reliance by the Administrative Agent	56
Section 12.5	Notice of Default	57
Section 12.6	Non-Reliance on the Administrative Agent and Other Lenders	57
Section 12.7	Indemnification	58
Section 12.8	The Administrative Agent in Its Individual Capacity	58
Section 12.9	Resignation of the Administrative Agent; Successor Administrative Agent	58
ARTICLE XIII MISCELLANEOUS		58
Section 13.1	Notices	58
Section 13.2	Expenses; Indemnity	60
Section 13.3	Set-off	60
Section 13.4	Governing Law	60
Section 13.5	Consent to Jurisdiction; Service of Process	60
Section 13.6	Waiver of Jury Trial; Preservation of Remedies	61
Section 13.7	Reversal of Payments	61
Section 13.8	Injunctive Relief; Punitive Damages	62
Section 13.9	Accounting Matters	62
Section 13.10	Successors and Assigns; Participations	62
Section 13.11	Disclosure of Information; Confidentiality	64
Section 13.12	Patriot Act Notice	64
Section 13.13	Amendments, Waivers and Consents	64
Section 13.14	Agreement Controls	64
Section 13.15	Covenants Independent	65
Section 13.16	Survival	65
Section 13.17	Counterparts	65
Section 13.18	Headings	65
Section 13.19	Severability	65
Section 13.20	Entirety	65
Section 13.21	Termination	65
Section 13.22	Payment of Borrowers' Obligations	65
Section 13.23	Powers of Attorney and Authorizations Irrevocable	65
Section 13.24	Register	66
Section 13.25	Judgment Currency	66

SCHEDULES

- Schedule 1 - Subsidiaries that are Borrowers
- Schedule 2 - Lenders and Commitments
- Schedule 3 - Guarantors
- Schedule 4 - Existing Letters of Credit
- Schedule 5 - Import Letter of Credit Pricing
- Schedule 6.1(a) - Jurisdictions of Organization and Qualification
- Schedule 6.1(b) - Subsidiaries and Capitalization
- Schedule 6.1(j) - ERISA Plans
- Schedule 6.1(l) - Material Contracts
- Schedule 6.1(m) - Labor and Collective Bargaining Agreements
- Schedule 6.1(t) - Debt and Guaranty Obligations
- Schedule 6.1(u) - Litigation
- Schedule 10.3 - Existing Liens
- Schedule 10.4(a) - Existing Loans, Advances and Investments
- Schedule 10.4(b) - Investment Policy and Guidelines

EXHIBITS

- Exhibit A - Form of Note
- Exhibit B - Form of Notice of Borrowing
- Exhibit C - Form of Notice of Account Designation
- Exhibit D - Form of Notice of Conversion/Continuation
- Exhibit E - Form of Officer's Compliance Certificate
- Exhibit F - Form of Termination Date Extension Request
- Exhibit G - Form of Assignment Agreement
- Exhibit H - MLA Costs
- Exhibit I - Form of Continuing Letter of Credit Agreement

AMENDED AND RESTATED CREDIT AGREEMENT ("Credit Agreement"), dated the _____ day of September, 2004, by and among URBAN OUTFITTERS, INC., a Pennsylvania corporation ("Urban"), the Subsidiaries (as hereinafter defined) of Urban listed on Schedule 1 hereto (including Urban, each individually a "Borrower" and collectively, the "Borrowers"), the Lenders who are or may become party to this Agreement, WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, as Administrative Agent for the Lenders.

STATEMENT OF PURPOSE

On September 12, 2001, the Borrowers, the Administrative Agent and certain Lenders entered into a credit agreement providing for a \$25,000,000 revolving credit facility to fund working capital (including capital expenditures), to support the issuance of documentary and standby Letters of Credit and to finance the general corporate purposes of the Borrowers (the "Existing Credit Agreement"). The Existing Credit Agreement was subsequently amended by Amendment No. 1 dated September 11, 2002, Amendment No. 2 dated November 15, 2002 and Amendment No. 3 dated September 9, 2003.

The parties hereto have agreed to amend and restate the Existing Credit Agreement (i) to increase the Aggregate Commitment to Thirty-five Million Dollars (\$35,000,000) and (ii) to make certain other modifications as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, and intending to be legally bound hereby, such parties hereby agree as follows:

ARTICLE I **DEFINITIONS**

Section 1.1 Definitions. The following terms when used in this Agreement shall have the meanings assigned to them below:

"Adjusted Debt" means, for any period of determination, as to Urban and its Consolidated Subsidiaries, the sum of eight times (8x) Rents plus Funded Debt.

"Adjusted Debt to EBITDAR Ratio" means, as of any date of determination, as to Urban and its Consolidated Subsidiaries, Adjusted Debt divided by EBITDAR, in each case for the most recently ended Rolling Period.

"Administration Fee" shall have the meaning assigned thereto in Section 4.3(a) hereof.

"Administrative Agent" means Wachovia in its capacity as Administrative Agent hereunder, and any successor thereto appointed pursuant to Section 12.1 hereof.

"Administrative Agent's Office" means the office of the Administrative Agent specified or determined in accordance with the provisions of Section 13.1(c) hereof.

"Affiliate" means, with respect to any Person, any other Person (other than a Subsidiary) which directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person or any Subsidiary. The term control means (a) the power to vote five percent (5%) or more of the securities or other equity interests of a Person having ordinary voting power, or (b) the possession, directly or indirectly, of any other power to direct or cause the direction of

the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

“Aggregate Commitment” means the aggregate amount of the Lenders’ Commitments hereunder, as such amount may be reduced or modified at any time or from time to time pursuant to the terms hereof. On the Closing Date, the Aggregate Commitment shall be Thirty-five Million Dollars (\$35,000,000), as such amount may be increased in accordance with Section 2.5(b) hereof.

“Agreement” means this Credit Agreement including the schedules and exhibits attached hereto, as amended, restated or otherwise modified from time to time.

“Alternate Currency” means as of the date hereof Pounds Sterling and the euro and hereafter means such currencies or such other lawful currency other than Dollars that is freely transferable and convertible into Dollars as each Lender and Administrative Agent may mutually agree and from time to time designate as an Alternate Currency, each such Alternate Currency specified herein or hereafter designated to remain in effect as such until notice is given by any Lender or Administrative Agent that such currency is no longer available as an Alternate Currency.

“Alternate Currency Loan” means a Loan denominated in an Alternate Currency.

“Alternate Currency Exposure” means the aggregate outstanding principal balance of all Alternate Currency Loans, plus the outstanding undrawn amount of, and all unreimbursed draws under, all Alternate Currency Letters of Credit.

“Alternate Currency Letter of Credit” means a Letter of Credit denominated in an Alternate Currency.

“Alternate Currency Sublimit” means the Dollar Equivalent of the portion of the Aggregate Commitment up to which Lenders have agreed to make Alternate Currency Loans and/or issue Alternate Currency Letters of Credit (subject to the L/C Commitment), being Two Million Dollars (\$2,000,000).

“Applicable Law” means all applicable provisions of constitutions, laws, statutes, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities and all orders and decrees of all courts and arbitrators.

“Applicable Margin” means with respect to the Loans (i) on the Closing Date and through the date of delivery of the completed Officer’s Compliance Certificate for the fiscal quarter ending July 31, 2004, the percentages set forth for Level IV in the chart below and (ii) for each fiscal quarter ending after July 31, 2004, the percentages determined by reference to the Adjusted Debt to EBITDAR Ratio as of the end of the fiscal quarter immediately preceding the delivery of the applicable Officer’s Compliance Certificate as follows:

<u>Level</u>	<u>Adjusted Debt to EBITDAR Ratio</u>	<u>Applicable Base Rate Margin</u>	<u>Applicable LIBO Market Rate Index Margin</u>	<u>Applicable LIBOR and Eurocurrency Margin</u>
I	>4.00	0%	1.60%	1.50%
II	> 3.50 and £ 4.00	0%	1.35%	1.25%
III	> 3.00 and £ 3.50	0%	1.10%	1.00%
IV	> 2.50 and £ 3.00	0%	0.85%	0.75%
V	£ 2.50	0%	0.60%	0.50%

Adjustments, if any, in the Applicable Margin shall be made by the Administrative Agent on the fifth (5th) Business Day after receipt by the Administrative Agent of quarterly financial statements for the Borrowers and the accompanying Officer's Compliance Certificate setting forth the Adjusted Debt to EBITDAR Ratio of the Borrower as of the most recent fiscal quarter end. Notwithstanding the remedies available to Lenders under Section 4.1(c) hereof, in the event the Borrowers fail to deliver such financial statements and certificate within the time required by Section 7.1 and 7.2 hereof, the Applicable Margin shall be the percentage set forth in Level I in the above chart until the delivery of such financial statements and certificate which indicate that an adjustment is available.

"Application" means an application, in the form specified by the Issuing Lender from time to time, requesting the Issuing Lender to issue a Letter of Credit.

"Assignment Agreement" shall have the meaning assigned thereto in Section 13.10 hereof.

"Base Rate" means, at any time, the higher of (a) the Prime Rate and (b) the sum of (i) the Federal Funds Rate plus (ii) 1/2 of 1%; each change in the Base Rate applicable to the Loans bearing interest at such rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate or the Federal Funds Rate.

"Base Rate Loan" means any Loan bearing interest at a rate based upon the Base Rate as provided in Section 4.1(a) hereof.

"Borrower" means individually, and "Borrowers" means collectively, Urban Outfitters, Inc., a Pennsylvania corporation, and each Subsidiary set forth on Schedule 1 hereto, including without limitation each Non-U.S. Borrower, each in its capacity as a borrower hereunder.

"Business Day" means (a) for all purposes other than as set forth in clause (b) below, any day other than a Saturday, Sunday or legal holiday on which banks in Philadelphia, Pennsylvania are open for the conduct of its commercial banking business, and (b) with respect to all notices and determinations in connection with, and payments of principal and interest on, any Alternate Currency Loan LIBOR Rate Loan or LIBO Market Index Rate Loan, any day that is a Business Day described in clause (a) and that is also a day on which commercial banks and the London foreign exchange market set the payments in the Principal Financial Center for any Alternate Currency.

"Capital Asset" means, with respect to the Borrowers and their Subsidiaries, any asset that should, in accordance with GAAP, be classified and accounted for as a capital asset on a Consolidated balance sheet of the Borrowers and their Subsidiaries.

"Capital Expenditure Payment(s)" means capital expenditures, net of all applicable tenant improvement allowances and any other amounts for fit-out and other capital expenditures that will be reimbursed to any Borrower or Subsidiary from any source, including state and local government grants, rebates and incentives, on the annual audited financial statements of Urban and its Consolidated Subsidiaries as prepared in accordance with GAAP.

“Capital Lease” means, with respect to the Borrowers and their Subsidiaries, any lease of any property that should, in accordance with GAAP, be classified and accounted for as a capital lease on a Consolidated balance sheet of the Borrowers and their Subsidiaries.

“Cash Taxes” means, cash taxes as calculated in accordance with GAAP.

“Change in Control” means the occurrence of any of the following events: (i) Richard A. Hayne (“Hayne”) shall cease to own at least twenty percent (20%) of the total shares of capital stock outstanding of Urban; (ii) any person or group of persons (within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended) shall own more of Urban’s shares of capital stock outstanding than are owned by Hayne at any one time; (iii) Hayne shall retire or be removed from active management of Urban; (iv) any person or group of persons (within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended), other than Hayne, shall obtain ownership or control in one or more series of transactions of more than fifty percent (50%) of the common stock or fifty percent (50%) of the voting power of Urban entitled to vote in the election of members of the board of directors of Urban; or (v) there shall have occurred under any indenture or other instrument evidencing any Debt in excess of \$2,000,000 any change in control (as defined in such indenture or other evidence of Debt) obligating any Borrower to repurchase, redeem or repay all or any part of the Debt or capital stock provided for therein. For purposes of clause (i), Hayne shall be deemed to own voting shares registered to members of his immediate family and trusts for the benefit of members of his immediate family, in each case, if Hayne continues to have voting control of such shares.

“Closing Adjusted Tangible Net Worth” means 85% of the Tangible Net Worth of Urban and its Consolidated Subsidiaries on the Closing Date based on the most recent quarterly or year-end balance sheet of Urban and its Consolidated Subsidiaries.

“Closing Date” means the date of this Agreement or such later Business Day upon which each condition described in Section 5.2 hereof shall be satisfied or waived in all respects in a manner acceptable to the Administrative Agent, in its sole discretion.

“Code” means the Internal Revenue Code of 1986, and the rules and regulations thereunder, each as amended, supplemented or otherwise modified.

“Commitment” means, as to any Lender, the obligation of such Lender to make Loans to, and, subject to the L/C Commitment, to issue or participate in Letters of Credit for the account of, the Borrowers hereunder in an aggregate principal or face amount at any time outstanding not to exceed the amount set forth opposite such Lender’s name on Schedule 2 hereto, as the same may be reduced or modified at any time or from time to time pursuant to the terms hereof.

“Commitment Percentage” means, as to any Lender at any time, the ratio of (a) the amount of the Commitment of such Lender to (b) the Aggregate Commitment of all the Lenders.

“Consolidated” means, when used with reference to financial statements or financial statement items of the Borrowers and their Subsidiaries, such statements or items on a consolidated basis in accordance with applicable principles of consolidation under GAAP.

“Continuing Letter of Credit Agreement” means the Continuing Letter of Credit Agreement in the form of Exhibit I hereto to be entered into by the Borrowers, Guarantors and Issuing Lender.

“Corporate Headquarters” means the planned new corporate headquarters and related improvements for Urban and its Subsidiaries to be located in the City of Philadelphia in an area commonly known as “The Naval Yard.”

“Debt” means, with respect to the Borrowers and their Subsidiaries at any date and without duplication, the sum of the following determined in accordance with GAAP: (a) all liabilities, obligations and indebtedness for borrowed money, including without limitation obligations evidenced by bonds, debentures, notes or other similar instruments of any such Person, provided, however, that liabilities, obligations and indebtedness under operating leases shall not constitute Debt unless and until payments thereunder become past due or accelerated in accordance with GAAP; (b) all obligations to pay the deferred purchase price of property or services of any such Person, except trade payables arising in the ordinary course of business not more than thirty (30) days past due; (c) all obligations of any such Person as lessee under Capital Leases and under “synthetic” or similar leases; (d) all Debt secured by any Lien upon property or assets owned by such Person, notwithstanding that such Person has not assumed or become liable for the payment of such Debt; (e) all Guaranty Obligations of any such Person; (f) all obligations, contingent or otherwise, of any such Person relative to the face amount of letters of credit, whether or not drawn, including without limitation any Reimbursement Obligation, and banker’s acceptances issued for the account of any such Person; (g) all obligations of any such Person to redeem, repurchase, exchange, defease or otherwise make payments in respect of capital stock or other securities of such Person; and (h) all obligations incurred by any such Person pursuant to Hedging Agreements.

“Default” means any of the events specified in Section 11.1 hereof which with the passage of time, the giving of notice or any other condition, would constitute an Event of Default.

“Defaulting Lender” has the meaning assigned to such term in Section 4.6(d) hereof.

“Distribution Center” means the planned new distribution center and call center in Pennsylvania for Urban and its Subsidiaries.

“Dollar Equivalent” means, on any date of determination with respect to any Alternate Currency Loan or Alternate Currency Letter of Credit, the amount, as determined by Administrative Agent, of Dollars which could be purchased with the amount of the relevant Alternate Currency involved in such computation at the spot rate at which Dollars may be exchanged into such Alternate Currency as set forth on such date on the applicable Dow Jones Telerate page (or any successor pages) or, if such rate does not appear on such pages, at the rate of exchange quoted by the Administrative Agent in Philadelphia, Pennsylvania at 11:00 a.m. on the date of determination, to prime banks in New York City for the spot purchase in the New York foreign exchange market of such amount of Dollars with such Alternate Currency, as the case may be.

“Dollars or \$” means, unless otherwise qualified, the lawful currency of the United States of America.

“EBIT” means, for any period of determination, as to Urban and its Consolidated Subsidiaries, net income for such period, plus Interest Expense and taxes, in each case as determined in accordance with GAAP and, if applicable, to the extent each has been deducted in determining net income.

“EBITDAR” means, for any period of determination, as to Urban and its Consolidated Subsidiaries, EBIT plus depreciation expense, amortization expense and Rents for such period, in each case as determined in accordance with GAAP (except Rents, which shall be determined on a cash rather than an accrual basis) and, if applicable, to the extent each has been deducted in determining net income.

“Eligible Assignee” means, with respect to any assignment of the rights, interest and obligations of a Lender hereunder, a Person that is at the time of such assignment: (a) a commercial bank organized under the laws of the United States or any state thereof, having combined capital and surplus in excess of \$500,000,000; (b) a commercial bank organized under the laws of any other country that is a member of the Organization of Economic Cooperation and Development, or a political subdivision of any such country, having combined capital and surplus in excess of \$500,000,000; (c) a finance company, insurance company or other financial institution which in the ordinary course of business extends credit of the type extended hereunder and that has total assets in excess of \$1,000,000,000; (d) already a Lender hereunder (whether as an original party to this Agreement or as the assignee of the Lender); (e) the successor (whether by transfer of assets, merger or otherwise) to all or substantially all of the commercial lending business of the assigning Lender; or (f) any other Person that has been approved in writing as an Eligible Assignee by the Borrowers and the Administrative Agent.

“Employee Benefit Plan” means any employee benefit plan within the meaning of Section 3(3) of ERISA which (a) is maintained for employees of any Borrower or any ERISA Affiliate or (b) has at any time within the preceding six years been maintained for the employees of any Borrower or any current or former ERISA Affiliate.

“Environmental Laws” means any and all federal, state and local laws, statutes, ordinances, rules, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities, relating to the protection of human health or the environment, including without limitation requirements pertaining to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, handling, reporting, licensing, permitting, investigation or remediation of Hazardous Materials.

“ERISA” means the Employee Retirement Income Security Act of 1974, and the rules and regulations thereunder, each as amended, supplemented or otherwise modified.

“ERISA Affiliate” means any Person who together with any Borrower or Subsidiary is treated as a single employer within the meaning of Section 414(b), (c), (m) or (o) of the Code or Section 4001(b) of ERISA.

“euro” means the single currency of the Participating Member States of the European Union.

“Eurocurrency Rate” shall mean, with respect to any Eurocurrency Loan, a rate per annum (rounded to the next higher 1/100 of 1%) at which deposits in the relevant Alternate Currency are offered to the Administrative Agent at its principal office in London, England by prime banks in the London Interbank Market, in each case, as of 11:00 a.m. London time, on the second Business Day prior to the commencement of the relevant Interest Period in amounts substantially equal to the Alternate Currency Loan as to which Borrowers may elect the Eurocurrency Rate to be applicable and with a maturity of comparable duration to the Interest Period selected by Borrowers for such Alternate Currency Loan, as may be adjusted for reserves by dividing that rate by 1.00 minus the Eurodollar Reserve Percentage, and as may be further adjusted for MLA Costs.

“Eurodollar Reserve Percentage” means, for any day, the percentage (expressed as a decimal and rounded upwards, if necessary, to the next higher one-hundredth of one percent (1/100%)) which is in effect for such day as prescribed by the Federal Reserve Board (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) in respect of eurocurrency liabilities or any similar category of liabilities for a member bank of the Federal Reserve System in New York City.

“Event of Default” means any of the events specified in Section 11.1 hereof, provided that any requirement for passage of time, giving of notice, or any other condition, has been satisfied.

“Excluded Projects” means the acquisition, leasing, planning, development, construction (including demolition, rehabilitation, renovation and/or expansion of existing buildings) and fit-out (but excluding any long-term and equipment financing thereof) of the Corporate Headquarters and the Distribution Center.

“Existing Wachovia Facility” means that certain standby letter of credit facility, documentary letter of credit facility and forward contract foreign exchange facility by and between Urban Outfitters UK Limited, as the borrower, and Wachovia, London Branch, as the lender, as in effect from time to time.

“Existing Letters of Credit” has the meaning assigned thereto in Section 3.3 hereof.

“Extensions of Credit” means an amount equal to the sum of: (a) the aggregate principal amount of all Loans then outstanding, and (b) the L/C Obligations then outstanding.

“Executive Order” has the meaning assigned thereto in Section 6.1(z) hereof.

“FDIC” means the Federal Deposit Insurance Corporation, or any successor thereto.

“Federal Funds Rate” means, the rate per annum (rounded upwards, if necessary, to the next higher one-hundredth of one percent (1/100%)) representing the daily effective federal funds rate as quoted by the Administrative Agent and confirmed in Federal Reserve Board Statistical Release H.15 (519) or any successor or substitute publication selected by the Administrative Agent. If, for any reason, such rate is not available, then “Federal Funds Rate” shall mean a daily rate which is determined, in the opinion of the Administrative Agent, to be the rate at which federal funds are being offered for sale in the national federal funds market at 9:00 a.m.(Philadelphia time). Rates for weekends or holidays shall be the same as the rate for the most immediate preceding Business Day.

“Fiscal Year” means the fiscal year of the Borrowers and their Subsidiaries ending on January 31.

“Fixed Charge Coverage Ratio” means, as of any date of determination, as to Urban and its Consolidated Subsidiaries, the ratio of (a) EBITDAR to (b) Fixed Charges, in each case for the most recently ended Rolling Period.

“Fixed Charges” means the sum of Interest Expense, Cash Taxes, Rents, stock repurchases, and dividends and other equity distributions.

“Foreign Assets Control Regulations” has the meaning assigned thereto in Section 6.1(z) hereof.

“Funded Debt” means, for any period of determination, the aggregate principal amount of all Debt of the Borrowers and their Consolidated Subsidiaries for: (i) borrowed money (including without limitation the face amount of Letters of Credit whether or not drawn); (ii) installment purchases of real or personal property; (iii) the principal portion of obligations owing under Capital Leases, determined in accordance with GAAP; (iv) “synthetic leases” and other similar lease arrangements; and (v) guaranties of Funded Debt of others, without duplication.

“FX Calculation Date” means (a) each date of delivery of a Notice of Borrowing or Application, (b) each date of delivery of an Officer’s Compliance Certificate, and (c) each other date on which Administrative Agent shall, in its discretion, calculate the Dollar Equivalent of outstanding Alternate Currency Exposure, provided, that Administrative Agent agrees to make such calculation upon receipt of written notice from any Lender that such Lender believes the Aggregate Commitment or Alternate Currency Sublimit may be exceeded as a result of currency fluctuations affecting the Dollar Equivalent of outstanding Alternate Currency Exposure, provided further, that, except as set forth in the foregoing proviso, Administrative Agent shall have no obligation to calculate the Dollar Equivalent of outstanding Alternate Currency Exposure other than on an FX Calculation Date as set forth in clauses (a) and (b).

“GAAP” means generally accepted accounting principles, as recognized by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board, consistently applied and maintained on a consistent basis for the Borrowers and their Subsidiaries throughout the period indicated and consistent with the prior financial practice of the Borrowers and their Subsidiaries.

“Governmental Approvals” means all authorizations, consents, approvals, licenses and exemptions of, registrations and filings with, and reports to, all Governmental Authorities.

“Governmental Authority” means any nation, province, state or political subdivision thereof, and any government, agency, instrumentality regulatory body, court, central bank or other Person exercising executive, legislative, regulatory, administrative or judicial functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

“Guaranty Agreement” means that certain Guaranty Agreement, dated the date of this Agreement, executed by the Guarantors in favor of the Administrative Agent for the benefit of Lenders, pursuant to which the Guarantors have agreed to unconditionally guaranty, on a joint and several basis, the full, prompt and complete performance of all of the Borrowers’ duties, covenants and obligations under this Agreement, the Notes and the other Loan Documents. The term “Guaranty Agreement” shall also be deemed to mean and refer to all amendments, modifications, extensions, renewals, refinancings and/or supplements to said agreement made and/or entered into subsequent to the Closing Date, including without limitation all amendments which are consummated for the purposes of adding any new and/or additional Persons as Guarantors, as provided for in Section 8.12 of this Agreement.

“Guarantors” means collectively those direct and indirect Subsidiaries of the Borrowers set forth on Schedule 3 hereto, and “Guarantor” means any of such Guarantors and each additional entity whether now owned or hereafter acquired that becomes a Guarantor pursuant to Section 8.12 hereof; provided, however, that Urban Outfitters Canada, Inc., a corporation formed under the laws of Canada, shall not be a Guarantor.

“Guaranty Obligation” means, with respect to the Borrowers and their Subsidiaries, without duplication, any obligation, contingent or otherwise, of any such Person pursuant to which such Person has directly or indirectly guaranteed any Debt of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, with respect to such Debt: (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt (whether arising by virtue of partnership arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement condition or otherwise), or (b) entered into for the purpose of assuring in any other manner the obligee of such Debt of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, that the term “Guaranty Obligation” shall not include (i) endorsements for collection or deposit in the ordinary

course of business, or (ii) obligations under real estate leases to the extent that such obligations do not constitute Debt.

“Hayne” has the meaning assigned thereto in the definition of Change of Control above.

“Hazardous Materials” means any substances or materials: (a) which are or become defined as hazardous wastes, hazardous substances, pollutants, contaminants, chemical substances or mixtures or toxic substances under any Applicable Law; (b) which are toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise harmful to human health or the environment and are or become regulated by any Governmental Authority; (c) the presence of which require investigation or remediation under any Applicable Law; (d) the discharge or emission or release of which requires a permit or license under any Applicable Law or other Governmental Approval; (e) which are deemed to constitute a nuisance, a trespass or pose a health or safety hazard to persons or neighboring properties; (f) which consist of underground or aboveground storage tanks, whether empty, filled or partially filled with any substance; or (g) which contain, without limitation, asbestos, polychlorinated biphenyls, urea formaldehyde foam insulation, petroleum hydrocarbons, petroleum derived substances or waste, crude oil, nuclear fuel, natural gas or synthetic gas.

“Hedging Agreement” means any agreement with respect to an interest rate or currency exchange rate swap, collar, cap, floor or forward rate agreement or other agreement regarding the hedging of interest rate risk exposure or currency exchange rate risk exposure executed in connection with hedging the interest rate exposure or exchange rate exposure of any Borrower, and any confirming letter executed pursuant to such hedging agreement, all as amended, restated or otherwise modified.

“Intangible Assets” means for Urban and its Consolidated Subsidiaries, all assets which would be classified in accordance with GAAP as intangible assets, including without limitation, all franchises, licenses, permits, patents, patent applications, copyrights, trademarks, tradenames, goodwill, experimental or organization expenses and other like intangibles, the cash surrender value and other like intangibles of any life insurance policy, treasury stock and unamortized debt discount.

“Interest Expense” means, for any period of determination, as to Urban and its Consolidated Subsidiaries, total interest expense (including without limitation interest expense attributable to Capital Leases), without duplication, determined in accordance with GAAP.

“Interest Period” shall have the meaning assigned thereto in Section 4.1(b) hereof.

“Issuing Lender” means Wachovia in its capacity as issuer of any Letter of Credit, or any successor thereto.

“L/C Commitment” means: (a) in the case of documentary Letters of Credit, the Aggregate Commitment, and (b) in the case of standby Letters of Credit, the lesser of (i) the Aggregate Commitment and (ii) One Million Dollars (\$1,000,000).

“L/C Obligations” means at any time, an amount equal to the sum of (a) the aggregate undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit which have not then been reimbursed pursuant to Section 3.8 hereof.

“L/C Participants” means the collective reference to all Lenders participating in the issuance of Letters of Credit.

“**Lender**” means each Person executing this Agreement as a Lender set forth on the signature pages hereto and each Person that hereafter becomes a party to this Agreement as a Lender pursuant to Section 13.10 hereof.

“**Lending Office**” means, with respect to any Lender, the office of such Lender maintaining such Lender’s Commitment Percentage of the Loans.

“**Letters of Credit**” shall have the meaning assigned thereto in Section 3.1 hereof.

“**LIBO Market Index Rate**” means for any day, [(a)] for borrowings in Dollars, the rate for one (1) month U.S. Dollar deposits [and (b) for borrowings in an Alternate Currency, the rate for one (1) month deposits of such Alternate Currency,] as reported on the Telerate page 3750 [or similar page for Alternate Currency] as of 11:00 a.m. London time, for such day, provided that, if such day is not a London Business Day, then the immediately preceding London Business Day (or if not so reported, then as determined by the Administrative Agent from another recognized source or interbank quotation); each change in the LIBO Market Index Rate applicable to the Loans bearing interest at such rate shall take effect simultaneously with the corresponding change in the LIBO Market Index Rate.

“**LIBO Market Index Rate Loan**” means any Loan bearing interest at a rate based upon the LIBO Market Index Rate as provided in Section 4.1(a) hereof.

“**LIBOR**” means the rate of interest per annum determined on the basis of the rate for deposits in Dollars, in amounts substantially equal to the amount of the LIBOR Rate Loan to which such LIBOR Rate will apply, for a period equal to the applicable Interest Period which appears on the Telerate Page 3750 at approximately 11:00 a.m.(London time) two (2) Business Days prior to the first day of the applicable Interest Period (rounded upwards, if necessary, to the next higher one-hundredth of one percent (1/100%)). If, for any reason, such rate does not appear on Telerate Page 3750, then LIBOR shall be determined by the Administrative Agent to be the arithmetic average (rounded upwards, if necessary, to the next higher one-hundredth of one percent (1/100%)) of the rate per annum at which deposits in Dollars would be offered by first class banks in the London interbank market to the Administrative Agent approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of the applicable Interest Period for a period equal to such Interest Period and in an amount substantially equal to the amount of the applicable Loan.

“**LIBOR Rate**” means a rate per annum (rounded upwards, if necessary, to the next higher one-hundredth of one percent (1/100%)) determined by the Administrative Agent pursuant to the following formula:

$$\text{LIBOR Rate} = \frac{\text{LIBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

“**LIBOR Rate Loan**” means any Loan bearing interest at a rate based upon the LIBOR Rate as provided in Section 4.1(a) hereof.

“**Lien**” means, with respect to any asset, any mortgage, lien pledge, charge, security interest or encumbrance of any kind in respect of such asset, including without limitation acquiring or holding any asset subject to the interest of a vendor, lessor or other creditor under any conditional sale agreement, Capital Lease or other title retention agreement relating to such asset.

“Loans” means any revolving loan made to the Borrowers pursuant to Section 2.1 hereof, including without limitation all Alternate Currency Loans, and all such revolving loans collectively as the context requires, and “Loan” means any of such Loans.

“Loan Documents” means, collectively, this Agreement, the Note, the Guaranty Agreement, the Applications, the Letters of Credit and each other document, instrument, certificate and agreement executed and delivered by any Borrower, any Subsidiary, any Guarantor or their counsel in connection with this Agreement or otherwise referred to herein or contemplated hereby, all as may be amended, restated or otherwise modified.

“London Business Day” means any Business Day on which banks in London, England are open for business.

“Management Report” means that certain memorandum entitled “Material Weaknesses in Internal Control” furnished to the Borrowers by their auditors, or any similar successor report, in its entirety, as required to be delivered in accordance with Generally Accepted Auditing Standards.

“Material Adverse Effect” means, with respect to the Borrowers and their Subsidiaries taken as a whole, a material adverse effect on the properties, business, prospects, operations or condition (financial or otherwise) of the Borrowers and their Subsidiaries or the ability of the Borrowers and their Subsidiaries to perform their obligations under the Loan Documents or Material Contracts, in each case to which they are a party.

“Material Contract” means (a) any contract or other agreement, written or oral, of any Borrower or any Subsidiary involving monetary liability of or to any such Person in an amount in excess of \$5,000,000 per annum, or (b) any other contract or agreement, written or oral, of any Borrower or any Subsidiary the failure to comply with which could reasonably be expected to have a Material Adverse Effect; provided, however, that operating leases in the aggregate, in and of themselves, shall not be deemed a Material Contract; provided, further, however, that any single operating lease may constitute a Material Contract in accordance with the foregoing definition of Material Contract; and provided, further that no contracts (other than contracts relating to any aspect of the financing of the Corporate Headquarters and/or the Distribution Center) entered into in connection with Excluded Projects will be deemed to be a Material Contract.

“MLA Cost” shall mean, with respect to any Alternate Currency Loan made by any Lender, the cost imputed to such Lender of compliance with the Mandatory Liquid Assets requirements of the Bank of England during the Interest Period applicable to such Alternate Currency Loan, expressed as a rate per annum and determined in accordance with Exhibit H hereto.

“Multiemployer Plan” means a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA to which any Borrower, any Subsidiary or any ERISA Affiliate is making, or is accruing an obligation to make, contributions within the preceding six years.

“national currency unit” means the unit of currency (other than a euro unit) of a Participating Member State.

“Non-U.S. Borrowers” means collectively all Borrowers formed under a jurisdiction outside of the United States, including without limitation Urban Outfitters UK Limited, a corporation formed under the laws of England and Wales, and Urban Outfitters Ireland Limited, a corporation formed under the laws of the Republic of Ireland, and “Non-U.S. Borrower” means any of such Non-U.S. Borrowers.

“Non-U.S. Sublimit” means the maximum amount which may be outstanding at any time, in the aggregate, for: (i) Loans borrowed by or on behalf of any Non-U.S. Borrower, (ii) intercompany loans to any Non-U.S. Borrower permitted under Section 10.4(d) hereof and (iii) L/C Obligations for Letters of Credit issued for the account of any Non-U.S. Borrower, being Eight Million Dollars (\$8,000,000) on the date hereof.

“Note(s)” means the collective reference to the Notes executed by the Borrowers payable to the order of each Lender, substantially in the form of Exhibit A hereto, evidencing the Commitments, and any amendments and modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part.

“Note 10” shall have the meaning assigned thereto in Section 6.1(t) hereof.

“Notice of Account Designation” shall have the meaning assigned thereto in Section 2.2(c) hereof.

“Notice of Borrowing” shall have the meaning assigned thereto in Section 2.2 hereof.

“Notice of Conversion/Continuation” shall have the meaning assigned thereto in Section 4.2 hereof.

“Obligations” means, in each case, whether now in existence or hereafter arising: (a) the principal of and interest on (including without limitation interest accruing after the filing of any bankruptcy or similar petition) the Loans; (b) the L/C Obligations; (c) all payment and other obligations owing by the Borrowers and Guarantors to any Lender or the Administrative Agent under any Hedging Agreement with any Lender; and (d) all other fees and commissions (including without limitation attorney’s fees), charges, indebtedness, loans, liabilities, financial accommodations, obligations, covenants and duties owing by the Borrowers and Guarantors to the Lenders or the Administrative Agent, of every kind, nature and description, direct or indirect, absolute or contingent, due or to become due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any note, in each case under or in respect of this Agreement, the Note, any Letter of Credit or any of the other Loan Documents, or any Hedging Agreement with any Lender or the Administrative Agent.

“Officer’s Compliance Certificate” shall have the meaning assigned thereto in Section 7.2 hereof.

“Other Taxes” shall have the meaning assigned thereto in Section 4.9(b) hereof.

“Participants” shall have the meaning assigned thereto in Section 13.10 hereof.

“Participating Member State” means each state so described in any legislation enacted by the European Union.

“Participations” shall have the meaning assigned thereto in Section 13.10 hereof.

“PBGC” means the Pension Benefit Guaranty Corporation or any successor agency.

“Pension Plan” means any Employee Benefit Plan, other than a Multiemployer Plan, which is subject to the provisions of Title IV of ERISA or Section 412 of the Code and which (a) is maintained for employees of any Borrower, Subsidiary or ERISA Affiliate or (b) has at any time within

the preceding six years been maintained for the employees of any Borrower, Subsidiary or current or former ERISA Affiliate.

“Person” means an individual, corporation, limited liability company, partnership, association, trust, business trust, joint venture, joint stock company, pool, syndicate, sole proprietorship, unincorporated organization, Governmental Authority or any other form of entity or group thereof.

“Pounds Sterling” means the lawful currency of the United Kingdom.

“Prime Rate” means, at any time, the rate of interest per annum publicly announced from time to time by Wachovia as its prime rate. Each change in the Prime Rate shall be effective as of the opening of business on the day such change in the Prime Rate occurs. The parties hereto acknowledge that the rate announced publicly by Wachovia as its Prime Rate is an index or base rate and shall not necessarily be its lowest or best rate charged to its customers or other banks.

“Principal Financial Center” means, in the case of any Alternate Currency, the principal financial center with such Alternate Currency is cleared and settled, as determined by the Administrative Agent.

“Reimbursement Obligation” means the obligation of the Borrowers to reimburse the Issuing Lender pursuant to Section 3.8 hereof for amounts drawn under Letters of Credit.

“Remaining Lenders” means the Lenders other than the Lender(s) which the Borrowers have requested to be terminated, replaced or added under this Agreement; provided, however, that such Remaining Lenders hold in the aggregate at least sixty percent (60%) of the Aggregate Commitment immediately prior to such termination, replacement or addition.

“Rents” means all cash payments made to a landlord in connection with a lease of real property, including without limitation payments for rent, utilities and taxes.

“Required Lenders” means: (i) if there are less than three Lenders, all Lenders, or (ii) if there are three or more Lenders, at any date, any combination of holders of at least sixty-six and two-thirds percent (66 2/3%) of the aggregate unpaid principal amount of the Notes, or if no amounts are outstanding under the Notes, any combination of Lenders whose Commitment Percentages aggregate at least sixty-six and two-thirds percent (66 2/3%).

“Responsible Officer” means any of the following: the chief executive officer, chief financial officer or treasurer of each Borrower or Guarantor or any other officer of such Borrower or Guarantor reasonably acceptable to the Administrative Agent.

“Rolling Period” means, as of any date, the most recent four (4) consecutive fiscal quarters of Urban and its Consolidated Subsidiaries completed on or before such date.

“Solvent” means, as to any Borrower or Guarantor on a particular date, that any such Person (a) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage and is able to pay its debts as they mature, (b) owns property having a value, both at fair valuation and at present fair saleable value, greater than the amount required to pay its probable liabilities (including without limitation contingencies), and (c) does not believe that it will incur debts or liabilities beyond its ability to pay such debts or liabilities as they mature.

“SPE” means one or more entities formed after the date of this Credit Agreement, if any, created for the sole purpose of owning all or any portion of an Excluded Project.

“Subordinated Debt” means the collective reference to Debt on Schedule 6.1(t) hereto designated as Subordinated Debt and any other Debt of any Borrower or Subsidiary subordinated in right and time of payment to the Obligations on terms satisfactory to the Required Lenders.

“Subsidiary” means as to any Person, any corporation, partnership, limited liability company or other entity of which more than fifty percent (50%) of the outstanding capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other managers of such corporation, partnership, limited liability company or other entity is at the time, directly or indirectly, owned by or the management is otherwise controlled by such Person (irrespective of whether, at the time, capital stock or other ownership interests of any other class or classes of such corporation, partnership, limited liability company or other entity shall have or might have voting power by reason of the happening of any contingency). Unless otherwise qualified references to “Subsidiary” or “Subsidiaries” herein shall refer to those of any Borrower.

“Tangible Net Worth” means Urban and its Consolidated Subsidiaries’ net worth, as defined in accordance with GAAP, minus Intangible Assets.

“Taxes” has the meaning assigned thereto in Section 4.9 hereof.

“Termination Date” means the earliest of the dates referred to in Section 2.6 hereof.

“Termination Date Extension Request” means a request by Urban to the Administrative Agent, substantially in the form of Exhibit F hereto, which shall be submitted no earlier than one hundred fifty (150) days and no later than forty-five days (45) days prior to the Termination Date referred to in subsection (a) of Section 2.6 hereof.

“Termination Event” means one or more of any of the following: (a) a “Reportable Event” described in Section 4043 of ERISA; (b) the withdrawal of any Borrower, Subsidiary or any ERISA Affiliate from a Pension Plan during a plan year in which it was a “substantial employer” as defined in Section 4001(a)(2) of ERISA; (c) the termination of a Pension Plan, the filing of a notice of intent to terminate a Pension Plan or the treatment of a Pension Plan amendment as a termination under Section 4041 of ERISA; (d) the institution of proceedings to terminate, or the appointment of a trustee with respect to, any Pension Plan by the PBGC; (e) any other event or condition which would constitute grounds under Section 4042(a) of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; (f) the partial or complete withdrawal of any Borrower, Subsidiary or ERISA Affiliate from a Multiemployer Plan; (g) the imposition of a Lien pursuant to Section 412 of the Code or Section 302 of ERISA; (h) any event or condition which results in the reorganization or insolvency of a Multiemployer Plan under Sections 4241 or 4245 of ERISA; or (i) any event or condition which results in the termination of a Multiemployer Plan under Section 4041A of ERISA or the institution by PBGC of proceedings to terminate a Multiemployer Plan under Section 4042 of ERISA.

“Trading With the Enemy Act” has the meaning assigned thereto in Section 6.1(z) hereto.

“Uniform Customs” means in the case of (a) standby Letters of Credit, the International Standby Practices—ISP98 (1998), International Chamber of Commerce Publication No. 590, as the same may be amended or revised from time to time, and (b) documentary Letters of Credit, the Uniform Customs and Practice for Documentary Credits (1994 Revision), International Chamber of Commerce Publication No. 500, as the same may be amended or revised from time to time.

“UCC” means the Uniform Commercial Code as in effect in the Commonwealth of Pennsylvania, as amended, restated or otherwise modified.

“United States” means the United States of America.

“U.S. Borrowers” means collectively all Borrowers formed under the laws of a jurisdiction within the United States, and “U.S. Borrower” means any of such U.S. Borrowers.

“Wachovia” means Wachovia Bank, a national banking association, and its successors.

“Wholly-Owned” means, with respect to a Subsidiary, that all of the shares of capital stock or other ownership interests of such Subsidiary are, directly or indirectly, owned or controlled by a Borrower and/or one or more of a Borrower’s Wholly-Owned Subsidiaries.

Section 1.2 General. Unless otherwise specified, a reference in this Agreement to a particular section, subsection, Schedule or Exhibit is a reference to that section, subsection, Schedule or Exhibit of this Agreement. Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter. Any reference herein to “Philadelphia time” shall refer to the applicable time of day in Philadelphia, Pennsylvania.

Section 1.3 Other Definitions and Provisions.

(a) Use of Capitalized Terms. Unless otherwise defined therein, all capitalized terms defined in this Agreement shall have the defined meanings when used in this Agreement, the Note and the other Loan Documents or any certificate, report or other document made or delivered pursuant to this Agreement.

(b) Miscellaneous. The words hereof, herein and hereunder and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

ARTICLE II

CREDIT FACILITY

Section 2.1 Loans. Subject to the terms and conditions of this Agreement, each Lender severally agrees to make Loans to the Borrowers from time to time from the Closing Date through the Termination Date as requested by the Borrowers in accordance with the terms of hereof; provided, that

(a) the aggregate principal amount of all outstanding Loans (after giving effect to any amount requested) shall not exceed the Aggregate Commitment less the sum of all L/C Obligations,

(b) the principal amount of outstanding Loans from any Lender to the Borrowers shall not at any time exceed such Lender’s Commitment as set forth on Schedule 2 hereto less such Lender’s Commitment Percentage of outstanding L/C Obligations,

(c) the aggregate principal amount of all outstanding Loans to Non-U.S. Borrowers (after giving effect to any amount requested) shall not at any time exceed the Non-U.S. Sublimit less the sum of: (i) the aggregate principal amount of all outstanding intercompany loans to any

Non-U.S. Borrower permitted under Section 10.4(d) hereof and (ii) all L/C Obligations for Letters of Credit issued for the account of any Non-U.S. Borrower,

(d) Lenders may make Alternate Currency Loans only to Non-U.S. Borrowers; and

(e) the Dollar Equivalent of the Alternate Currency Exposure shall not at any time exceed the Alternate Currency Sublimit.

Each Loan by a Lender shall be in a principal amount equal to such Lender's Commitment Percentage of the aggregate principal amount of Loans requested on such occasion. Subject to the terms and conditions hereof, the Borrowers may borrow, repay and reborrow Loans hereunder until the Termination Date.

Section 2.2 Procedure for Advances of Loans.

(a) Requests for Borrowing. The Borrowers shall give the Administrative Agent irrevocable prior written notice in the form attached hereto as Exhibit B (a "Notice of Borrowing") not later than 11:00 a.m.(Philadelphia time) (i) on the same Business Day as each Base Rate Loan or LIBO Market Index Rate Loan, (ii) at least three (3) Business Days before each LIBOR Rate Loan, and (iii) at least three (3) London Business Days before each Alternate Currency Loan, of its intention to borrow, specifying: (A) the date of such borrowing, which shall be a Business Day (and a London Business Day with respect to an Alternate Currency Loan); (B) the amount of such borrowing, which shall be in an amount equal to the amount of the Aggregate Commitment then available to the Borrowers, or, if less, (w) with respect to Base Rate Loans, in an aggregate principal amount of \$250,000 and increments of \$250,000 in excess thereof, (x) with respect to LIBO Market Index Rate Loans, in an aggregate principal amount of \$500,000 and increments of \$250,000 in excess thereof, (y) with respect to LIBOR Rate Loans in an aggregate principal amount of \$1,000,000 and increments of \$500,000 in excess thereof and (z) with respect to Eurocurrency Loans, the Dollar Equivalent of \$100,000 and increments of \$100,000 in excess thereof; (C) whether such Loans are to be Base Rate Loans, LIBO Market Index Rate Loans, LIBOR Rate Loans or Eurocurrency Loans, if a combination thereof, the amount allocated to each; and (D) in the case of a LIBOR Rate Loan or a Eurocurrency Loan, the duration of the Interest Period applicable thereto. Notices received after 11:00 a.m.(Philadelphia time) shall be deemed received on the next Business Day. The Administrative Agent shall promptly notify the Lenders of each Notice of Borrowing.

(b) Authority of Urban. Each Borrower hereby irrevocably authorizes and requests that Urban execute all Notices of Borrowing, make all elections as to interest rates and take any other actions required of or permitted by the Borrowers under this Agreement, on its respective behalf, in each case, with the same force and effect as if such Borrower had executed such Notice of Borrowing, made such election or taken such other action itself. Any request, application, or other communication by Urban may be relied on by the Administrative Agent and the Lenders, and any communication by the Administrative Agent and the Lenders shall be made to Urban, and shall be binding on each Borrower, jointly and severally, as fully as if such request, application or other communication were made directly by or to each such Borrower.

(c) Disbursement of Loans. Not later than 2:00 p.m.(Philadelphia time) on the proposed borrowing date, each Lender will make available to the Administrative Agent, for the account of the Borrowers, at the office of the Administrative Agent, in funds immediately available to the Administrative Agent, such Lender's Commitment Percentage of the Loans to be made on such borrowing date. The Borrowers hereby irrevocably authorize the Administrative Agent to disburse the proceeds of each borrowing requested pursuant to this Section 2.2 in immediately available funds by

crediting or wiring such proceeds to the deposit account of the Borrowers identified in the most recent notice substantially in the form of Exhibit C hereto (a "Notice of Account Designation") delivered by the Borrowers to the Administrative Agent or as may be otherwise agreed upon by the Borrowers and the Administrative Agent from time to time. Subject to Section 4.12 hereof, the Administrative Agent shall not be obligated to disburse the portion of the proceeds of any Loan requested pursuant to this Section 2.2 to the extent that any Lender has not made available to the Administrative Agent its Commitment Percentage of such Loan.

Section 2.3 Repayment of Loans.

(a) Repayment of Loans. The Borrowers shall repay the outstanding principal amount of all Loans in full on the Termination Date, together with all accrued but unpaid interest thereon and fees, costs and expenses.

(b) Mandatory Repayments. (i) If at any time the outstanding principal amount of all Loans exceeds the Aggregate Commitment less the sum of all L/C Obligations, the Borrowers shall repay immediately upon notice from the Administrative Agent, by payment to the Administrative Agent for the account of the Lenders, the Loans, and shall furnish cash collateral reasonably satisfactory to the Administrative Agent and/or repay the L/C Obligations, in an amount equal to such excess with each such repayment applied first to the aggregate amount of drawings under Letters of Credit which have not then been reimbursed pursuant to Section 3.8 hereof, second to the principal amount of outstanding Loans, and third to the cash collateral account described in, and to be applied in accordance with the terms of, Section 11.2(b) hereof. Each such repayment shall be accompanied by any amount required to be paid pursuant to Section 4.7 hereof, and (ii) if at any time the Dollar Equivalent of all Alternate Currency Exposure exceeds the Alternate Currency Sublimit, then the Borrowers shall make a prepayment of Alternate Currency Loans and/or furnish cash collateral reasonably satisfactory to Administrative Agent or repay the L/C Obligations for the Alternate Currency Letters of Credit in the amount of such excess.

(c) Optional Repayments; Limitation on Prepayment of LIBOR Rate Loans and Eurocurrency Loans. The Borrowers: (i) may at any time and from time to time repay all or any portion of the outstanding principal balance of any Base Rate Loan or LIBO Market Index Rate Loan without premium or penalty, provided that any such repayment shall include all accrued interest on the amount repaid; and (ii) may not repay any LIBOR Rate Loan or Eurocurrency Loan on any day other than on the last day of the Interest Period applicable thereto unless such repayment is accompanied by all accrued interest on the amount repaid and by any amount required to be paid pursuant to Section 4.7 hereof

(d) Survival of Hedging Agreements. Any prepayment shall not affect Borrower's obligation to continue making payments under any Hedging Agreement (including any swap agreement, as defined in 11 U.S.C. §101) executed by any Borrower after the date hereof (it being acknowledged that no Hedging Agreement is outstanding as of the date hereof), which shall remain in full force and effect notwithstanding such prepayment, subject to the terms of such Hedging Agreement.

Section 2.4 Notes. The Loans and the obligation of the Borrowers to repay such Loans shall be evidenced by a Note executed by the Borrowers payable to the order of each Lender representing the Borrowers' obligation to pay such Lender's Commitment or, if less, the aggregate unpaid principal amount of all Loans made and to be made by such Lender to the Borrowers hereunder, plus interest and all other fees, charges and other amounts due thereon. Each Note shall be dated the Closing Date and shall bear interest on the unpaid principal amount thereof at the applicable interest rate per annum specified in Section 4.1 hereof.

Section 2.5 Change in Commitment.

(a) Reductions. The Borrowers shall have the right at any time and from time to time, upon at least five (5) Business Days prior written notice to the Administrative Agent, to permanently reduce, without premium or penalty, (i) the Aggregate Commitment at any time or (ii) portions of the Aggregate Commitment, from time to time, in an aggregate principal amount not less than \$1,000,000 or any whole multiple of \$1,000,000 in excess thereof. Each permanent reduction permitted pursuant to this Section 2.5(a) shall be accompanied by a payment of principal sufficient to reduce the aggregate outstanding Extensions of Credit after such reduction to the Aggregate Commitment as so reduced and if the Aggregate Commitment as so reduced is less than the aggregate amount of all outstanding and unexpired Letters of Credit, the Borrowers shall be required to deposit collateral, of the type and in the amounts required by Section 3.4 hereof, in a cash collateral account opened by the Administrative Agent. Any reduction of the Aggregate Commitment to zero shall be accompanied by payment of all outstanding Obligations thereunder (and furnishing of cash collateral satisfactory to the Administrative Agent for all L/C Obligations) and shall result in the termination of the Aggregate Commitment. Such cash collateral shall be applied in accordance with Section 11.2(b) hereof. If the reduction of the Aggregate Commitment requires the repayment of any LIBOR Rate Loan, such repayment shall be accompanied by any amount required to be paid pursuant to Section 4.7 hereof.

(b) Increases. So long as no Default or Event of Default has occurred and is continuing hereunder, the Borrowers shall have the right at any time and from time to time, upon at least seven (7) Business Days prior written notice to the Administrative Agent, to increase the Aggregate Commitment, in one or more tranches, by an aggregate principal amount not to exceed Fifteen Million Dollars (\$15,000,000). Each such increase permitted pursuant to this Section 2.5(b) shall be conditioned upon Borrowers' compliance, as of the effective date of any such increase, with the requirements of Section 5.2(b) hereto, as required by the Administrative Agent, which requirements may include without limitation, the execution and delivery of an amendment agreement in form and substance satisfactory to the Required Lenders, the delivery of replacement or additional promissory notes, and confirmations of Guaranty Agreements.

Section 2.6 Termination of the Aggregate Commitment. The Aggregate Commitment shall terminate on the earliest of: (a) September __, 2007 [the third (3rd) anniversary of the date hereof]; (b) the date of termination by the Borrowers pursuant to Section 2.5(a) hereof; and (c) the date of termination by the Administrative Agent on behalf of the Lenders pursuant to Section 11.2(a) hereof; [provided, however, that Urban may submit to the Administrative Agent a Termination Date Extension Request (which shall be submitted without limitation with the annual business plan and financial projections required to be delivered under Section 7.1(d) hereof), pursuant to which each Lender, at its sole discretion, may agree to extend the Termination Date of its respective Commitment set forth in subsection (a) of this Section 2.6 by an additional three hundred sixty-four (364) day term.]

Section 2.7 Use of Proceeds. The Borrowers shall use the proceeds of the Extensions of Credit: (a) to fund working capital (including expenditures for Capital Assets); (b) to support the issuance of Letters of Credit for the account of any Borrower (including for the benefit of a Guarantor); and (c) for the general corporate requirements of the Borrowers (including without limitation the payment of certain fees and expenses incurred in connection with the transactions contemplated hereby).

Section 2.8 Joint and Several Obligations. The obligations of the Borrowers hereunder are and shall be joint and several. It is the intent of Borrowers and Lenders that Non-U.S. Borrowers shall not be liable hereunder, except with respect to Loans made to Non-U.S. Borrowers and L/C Obligations for Letters of Credit issued for the account of Non-U.S. Borrowers.

Section 2.9 Dollar Equivalent. All limitations relating to the amount of Alternate Currency Advances and Alternate Currency Letters of Credit shall be calculated from time to time based on the Dollar Equivalent thereof as of the most recent FX Calculation Date.

ARTICLE III
LETTERS OF CREDIT

Section 3.1 L/C Commitment. Subject to the terms and conditions hereof, the Issuing Lender: (i) agrees to issue standby and documentary letters of credit for the account of any Borrower or Guarantor and (ii) agrees to issue Alternate Currency Letters of Credit for the account of any Non-U.S. Borrower (collectively, "Letters of Credit"), on any Business Day from the Closing Date through but not including the Termination Date in such form as may be approved from time to time by the Issuing Lender; provided, that the Issuing Lender shall have no obligation to issue any Letter of Credit if:

- (a) there exists a Default or an Event of Default, or the issuance of such Letter of Credit would give rise to a Default or an Event of Default;
- (b) after giving effect to such issuance:
 - (i) the L/C Obligations would exceed the L/C Commitment,
 - (ii) the Aggregate Commitment minus the Extensions of Credit would be less than zero,
 - (iii) any Lender's Commitment minus such Lender's Extensions of Credit would be less than zero,
 - (iv) (A) the L/C Obligations for all Letters of Credit issued for the account of any Non-U.S. Borrower plus (B) the aggregate principal amount of all Loans outstanding to any Non-U.S. Borrower plus (C) the aggregate principal amount of all outstanding intercompany loans to Non-U.S. Borrowers permitted under Section 10.4(d) hereof, would exceed the Non U.S. Sublimit, or
 - (v) at the time of issuance of any Alternate Currency Letter of Credit, the amount available to be drawn under such Alternate Currency Letter of Credit and all other Alternate Currency Letters of Credit then outstanding hereunder plus any unreimbursed draws under Alternate Currency Letters of Credit, together with the outstanding principal amount of all Alternate Currency Loans, shall not exceed the Alternate Currency Sublimit.
- (c) such issuance would conflict with, or cause the Issuing Lender or any L/C Participant to exceed any limits imposed by, any Applicable Law.

References herein to "issue" and derivations thereof with respect to Letters of Credit shall also include extensions or modifications of any existing Letters of Credit, unless the context otherwise requires.

Section 3.2 Terms of Letters of Credit. Subject without limitation to Section 3.1 hereof, each Letter of Credit shall:

- (a) be denominated in Dollars in a minimum amount of \$1,500, or be denominated in an Alternate Currency in a minimum amount of a Dollar Equivalent of \$1,500;

- (b) be issued to support obligations of a Borrower or a Subsidiary, contingent or otherwise, incurred in the ordinary course of business;
- (c) expire on a date which shall be no later than the earlier of:
 - (i) in the case of standby Letters of Credit one (1) year from the date of issuance and subject to Section 3.4, the Termination Date; or
 - (ii) in the case of documentary Letters of Credit, one hundred eighty (180) days from the date of issuance, and subject to Section 3.4, the Termination Date.
- (d) be subject to the Uniform Customs and, to the extent not inconsistent therewith the laws of the Commonwealth of Pennsylvania.

Section 3.3 Existing Letters of Credit issued by Wachovia. Reference is made to the letters of credit issued by Wachovia on behalf of one or more Borrowers prior to the date of this Agreement, the face amount, beneficiary and number of which are listed on Schedule 4 hereto (the "Existing Letters of Credit"). The Borrowers and the Lenders hereby agree that as of the date of this Agreement: (a) all such Existing Letters of Credit shall hereinafter be deemed Letters of Credit, as if originally issued hereunder, and shall be subject to the terms of this Agreement; provided, however, that the Borrowers shall not be obligated to pay any additional issuance fees in connection with such Existing Letters of Credit which are deemed to be Letters of Credit hereunder; and (b) each of (i) the Existing Wachovia Facility, (ii) that certain Continuing Letter of Credit Agreement executed by Urban dated _____, _____(iii) that certain CyberImport International Operations Agreement executed by Urban on January 8, 2004, and (iv) each other master letter of credit agreement previously executed by any Borrower or Subsidiary with Wachovia, is hereby deemed superseded in its entirety by the terms and conditions of this Agreement.

Section 3.4 Cash Collateral for Letters of Credit.

(a) Notwithstanding the provisions of Section 3.2 hereof requiring that the final expiry of each Letter of Credit be on or before the Termination Date, the Issuing Lender may issue, upon the Borrowers' request if required by a proposed beneficiary, a Letter of Credit which by its terms may be extended beyond the Termination Date. With respect to any such Letter of Credit issued hereunder, the Borrowers hereby agree that they will deliver on or before the Termination Date collateral, of the type and in the amounts required by subparagraph (b) below and subject to subparagraph (c) below, in an amount equal to one hundred five percent (105%) of the outstanding undrawn amount of each such Letter of Credit.

(b) On the Termination Date, upon a reduction of the Aggregate Commitment in the manner set forth in Section 2.5 hereof or upon the occurrence of and during the continuance of an Event of Default, the Issuing Lender may require (and in the case of an Event of Default occurring under Section 11.1(j) or Section 11.1(k) it shall be required automatically) that the Borrowers deliver to the Issuing Lender cash or U.S. Treasury Bills with maturities of not more than ninety (90) days from the date of delivery (discounted in accordance with customary banking practice to present value to determine amount) in an amount equal at all times to one hundred five percent (105%) of the outstanding undrawn amount of all Letters of Credit, such cash or U.S. Treasury Bills and all interest earned thereon to constitute cash collateral for all such Letters of Credit.

(c) Any cash collateral deposited under subparagraph (b) above, and all interest earned thereon, shall be held by the Issuing Lender and invested and reinvested at the expense and

the written direction of Borrowers, in U.S. Treasury Bills with maturities of no more than ninety (90) days from the date of investment.

Section 3.5 Procedure for Issuance of Letters of Credit. The Borrowers may from time to time request that the Issuing Lender issue a Letter of Credit, or request that a Letter of Credit be amended or extended, by delivering to the Issuing Lender at the Administrative Agent's office, an Application therefor, completed to the satisfaction of the Issuing Lender, and such other certificates, documents and other papers and information as the Issuing Lender may request. Upon receipt of any Application, the Issuing Lender shall process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall, subject to Section 3.1 and Article V hereof, promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Lender be required to issue any standby Letter of Credit earlier than three (3) Business Days, or any documentary Letter of Credit earlier than one (1) Business Day, after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the Issuing Lender and the Borrowers. The Issuing Lender shall promptly furnish to the Borrowers a copy of such Letter of Credit.

Section 3.6 Commissions and Other Charges.

(a) The Borrowers shall pay to the Administrative Agent for the account of the Issuing Lender and the L/C Participants on a pro rata basis (i) fees with respect to documentary Letters of Credit as set forth on Schedule 5 attached hereto and (iii) a letter of credit fee with respect to each standby Letter of Credit in an amount equal to the Applicable Margin for a LIBOR Rate Loan as of the date of the calculation of the fee on a per annum basis multiplied by the face amount of each standby Letter of Credit as then in effect. Each such commission shall be payable quarterly in arrears on the last Business Day of each calendar quarter and on the Termination Date.

(b) In connection with the issuance, transfer, extension, modification or other administration of any Letter of Credit, the Borrowers shall pay to the Issuing Lender upon request all customary costs and expenses of the Issuing Lender therefor.

(c) All fees, commissions, costs, expenses or other charges paid to an Issuing Lender by Borrowers under this Section 3.6 shall be non-refundable.

Section 3.7 L/C Participations.

(a) The Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce the Issuing Lender to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Lender, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Commitment Percentage in the Issuing Lender's obligations and rights under each Letter of Credit issued hereunder and the amount of each draft paid by the Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with the Issuing Lender that, if a draft is paid under any Letter of Credit for which the Issuing Lender is not reimbursed in full by the Borrowers in accordance with the terms of this Agreement, such L/C Participant shall pay to the Issuing Lender upon demand at the Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's Commitment Percentage of the amount of such draft, or any part thereof, which is not so reimbursed.

(b) Upon becoming aware of any amount required to be paid by any L/C Participant to the Issuing Lender pursuant to Section 3.7(a) hereof in respect of any unreimbursed portion of any payment made by the Issuing Lender under any Letter of Credit, the Issuing Lender shall notify each L/C Participant of the amount and due date of such required payment and such L/C Participant shall pay to the Issuing Lender the amount specified on the applicable due date. If any such amount is paid to the Issuing Lender after the date such payment is due, such L/C Participant shall pay to the Issuing Lender on demand, in addition to such amount, the product of (i) such amount, times (ii) the daily average Federal Funds Rate as determined by the Administrative Agent during the period from and including the date such payment is due to the date on which such payment is immediately available to the Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. A certificate of the Issuing Lender with respect to any amounts owing under this Section 3.7(b) shall be conclusive in the absence of manifest error. With respect to payment to the Issuing Lender of the unreimbursed amounts described in this Section 3.7(b), if the L/C Participants receive notice that any such payment is due (A) prior to 1:00 p.m.(Philadelphia time) on any Business Day, such payment shall be due that Business Day, and (B) after 1:00 p.m.(Philadelphia time) on any Business Day, such payment shall be due on the following Business Day.

(c) Whenever, at any time after the Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its Commitment Percentage of such payment in accordance with this Section 3.7, the Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrowers or otherwise, or any payment of interest on account thereof, the Issuing Lender will distribute to such L/C Participant its pro rata share thereof; provided, that in the event that any such payment received by the Issuing Lender shall be required to be returned by the Issuing Lender, such L/C Participant shall return to the Issuing Lender the portion thereof previously distributed by the Issuing Lender to it.

Section 3.8 Reimbursement Obligation of the Borrowers. The Borrowers agree to reimburse the Issuing Lender on each date on which the Issuing Lender notifies the Borrowers of the date and amount of a draft paid under any Letter of Credit for the amount of (a) such draft so paid or presented purporting to be drawn and (b) any taxes, fees, charges or other costs or expenses incurred by the Issuing Lender in connection with such payment. Each such payment shall be made to the Issuing Lender at its address for notices specified herein in Dollars, (except for payments in connection with Alternate Currency Letters of Credit which shall be repaid in the currency in which such draft was paid) and in immediately available funds. If the Borrowers fail to timely reimburse the Issuing Lender on the date the Borrowers receive the notice referred to in this Section 3.8, the Borrowers shall be deemed to have timely given a Notice of Borrowing hereunder to the Administrative Agent requesting the Lenders to make a Base Rate Loan on such date in an amount equal to the amount of such drawing and, regardless of whether or not the conditions precedent specified in Article V have been satisfied, the Lenders shall make Base Rate Loans in such amount, the proceeds of which shall be applied to reimburse the Issuing Lender for the amount of the related drawing and costs and expenses; provided, however, that absent an Event of Default, the Borrowers may elect to convert amounts remaining unpaid by the Borrowers (i) under any Letter of Credit denominated in Dollars to Base Rate Loans, LIBO Market Index Rate Loans, or LIBOR Rate Loans, and (ii) any Letter of Credit denominated in any Alternate Currency to Eurocurrency Loans [or LIBO Market Index Rate Loans], subject to Section 4.2 hereof.

Section 3.9 Obligations Absolute. The Borrowers' obligations under this Article III (including without limitation the Reimbursement Obligation) shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which any Borrower may have or have had against the Issuing Lender or any beneficiary of a Letter of Credit. The Borrowers also agree with the Issuing Lender that the Issuing Lender shall not be responsible for, and the Borrowers' Reimbursement Obligation under Section 3.8 shall not be affected by, among other things, the

validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among any Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of any Borrower against any beneficiary of such Letter of Credit or any such transferee. The Borrowers assume all risks of the acts or omissions of the beneficiary of each Letter of Credit with respect to the use of the Letter of Credit or with respect to the beneficiary's obligations to any Borrower. The Issuing Lender shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by the Issuing Lender's gross negligence or willful misconduct. The Borrowers agree that any action taken or omitted by the Issuing Lender under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Customs and, to the extent not inconsistent therewith, the UCC shall be binding on the Borrowers and shall not result in any liability of the Issuing Lender to the Borrowers. The responsibility of the Issuing Lender to the Borrowers in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are in conformity with such Letter of Credit. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each determination of whether drafts or other documents presented under a Letter of Credit comply with the terms thereof. In furtherance of the foregoing, and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with their terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in compliance with the terms of such Letter of Credit. In furtherance and not in limitation of the foregoing, in accordance with the Uniform Customs, the Issuing Lender may accept facially conforming documents.

Section 3.10 General Terms of Documentary Letters of Credit.

(a) To the extent any failure to comply with the provisions of this Section 3.10 would, either individually or in the aggregate, result in a Material Adverse Effect, the Borrowers agree to procure or to cause the beneficiaries of each documentary Letter of Credit to procure promptly any necessary import and export or other licenses for the import or export or shipping of any goods referred to in or pursuant to a Letter of Credit and to comply and to use its commercially reasonable efforts to cause the beneficiaries to comply with all foreign and domestic governmental regulations with respect to the shipment and warehousing of such goods or otherwise relating to or affecting such Letter of Credit, including without limitation governmental regulations pertaining to transactions involving designated foreign countries or their nationals, and to furnish such certificates in that respect as the Issuing Lender may at any time reasonably require, and to keep such goods adequately covered by insurance in amounts, with carriers and for such risks as shall be customary in the industry and to cause the Issuing Lender's interest to be endorsed on such insurance and to furnish the Issuing Lender at its request with reasonable evidence thereof. Should such insurance (or lack thereof) upon said goods for any reason not be reasonably satisfactory to the Issuing Lender, the Issuing Lender may (but is not obligated to) obtain, after notice, at the Borrowers' expense, insurance satisfactory to the Issuing Lender.

(b) In connection with each documentary Letter of Credit, neither the Issuing Lender nor any correspondent shall be responsible for: (i) the existence, character, quality, quantity, condition, packing, value or delivery of the property purporting to be represented by documents; (ii) any

difference in character, quality, condition or value of the property from that expressed in documents; (iii) the time, place, manner or order in which shipment of the property is made; (iv) partial or incomplete shipment referred to in such Letter of Credit; (v) the character, adequacy or responsibility of any insurer, or any other risk connected with insurance other than insurance procured by the Issuing Lender; (vi) any deviation from instructions, delay, default or fraud by the beneficiary or anyone else in connection with the property or the shipping thereof; (vii) the solvency, responsibility or relationship to the property of any party issuing any documents in connection with the property; (viii) delay in arrival or failure to arrive of either the property or any of the documents relating thereto; (ix) delay in giving or failure to give notice of arrival or any other notice; (x) any breach of contract between the Letter of Credit beneficiaries and any Borrower; (xi) any laws, customs, and regulations which may be effective in any jurisdiction where any negotiation and/or payment of such Letter of Credit occurs; (xii) failure of documents (other than documents required by the terms of the Letter of Credit) to accompany any draft at negotiation; or (xiii) failure of any entity to note the amount of any document or draft on the reverse of such Letter of Credit or to surrender or to take up such Letter of Credit or to forward documents other than documents required by the terms of the Letter of Credit. In connection with each Letter of Credit, the Issuing Lender shall not be responsible for any error, neglect or default of any of its correspondents. None of the above shall affect, impair or prevent the vesting of any of the Issuing Lender's rights or powers hereunder. If a Letter of Credit provides that payment is to be made by the Issuing Lender's correspondent, neither the Issuing Lender nor such correspondent shall be responsible for the failure of any of the documents specified in such Letter of Credit to come into the Issuing Lender's hands, or for any delay in connection therewith, and the Borrowers' obligation to make reimbursements shall not be affected by such failure or delay in the receipt of any such documents.

(c) To the extent not inconsistent with this Agreement, the Uniform Customs are hereby made a part of this Agreement with respect to obligations in connection with each documentary Letter of Credit.

Section 3.11 Effect of Application. To the extent that any provision of any Application related to any Letter of Credit, or either of the documents referenced in clauses (i) or (ii) of Section 3.12 hereof, is inconsistent with the provisions of this Article III, or with Article XI hereof, the provisions of this Article III or Article XI hereof, as applicable, shall apply. Article XI alone shall govern with respect to Default and Events of Default in connection with any Letter of Credit.

Section 3.12 Letter of Credit Documents. Subject to Section 3.11 hereof, Letters of Credit and amendments thereto issued by Wachovia, as Issuing Lender, shall be requested, processed and issued, and draws thereon shall be negotiated, processed and paid, in accordance with and subject to the terms and procedures of: (i) the Continuing Letter of Credit Agreement and/or (ii) the CyberImport International Operations Agreement between Wachovia and Urban dated August _____, 2004.

ARTICLE IV **GENERAL LOAN PROVISIONS**

Section 4.1 Interest.

(a) Interest Rate Options.

(i) Loans. Subject to the provisions of this Section 4.1, at the election of the Borrowers, the aggregate principal balance of the Loans or any portion thereof shall bear interest at:

(A) the Base Rate on a per annum basis;

(B) the LIBO Market Index Rate plus the Applicable Margin on a per annum basis; or

(C) the LIBOR Rate plus the Applicable Margin on a per annum basis;

provided that the LIBOR Rate shall not be available until three (3) Business Days after the Closing Date. The Borrowers shall select the rate of interest and Interest Period, if any, applicable to any Loan at the time a Notice of Borrowing is given pursuant to Section 2.2 hereof or at the time a Notice of Conversion/Continuation is given pursuant to Section 4.2 hereof. Each Loan or portion thereof bearing interest based on: (x) the Base Rate shall be a "Base Rate Loan;" (y) the LIBO Market Index Rate shall be a "LIBO Market Index Rate Loan;" and (z) LIBOR Rate shall be a "LIBOR Rate Loan." Any Loan or any portion thereof as to which the Borrowers have not duly specified an interest rate as provided herein shall be deemed a Base Rate Loan.

(ii) Alternate Currency Loans. Any Alternate Currency Loan shall bear interest at the applicable Eurocurrency Rate plus the Applicable Margin on a per annum basis. Each Alternate Currency Loan bearing interest based on the Eurocurrency Rate shall be a "Eurocurrency Loan."

(b) Interest Periods. In connection with each LIBOR Rate Loan, the Borrowers, by giving notice at the times described in Section 4.1(a) hereof, shall elect an interest period (each, an "Interest Period") to be applicable to such Loan or Alternate Currency Loan, which Interest Period shall be a period of one (1), two (2) or three (3) months with respect to each LIBOR Rate Loan or Eurocurrency Loan; provided that:

(i) the Interest Period shall commence on the date of advance of or conversion to any LIBOR Rate Loan or Eurocurrency Loan and, in the case of immediately successive Interest Periods, each successive Interest Period shall commence on the date on which the next preceding Interest Period expires;

(ii) if any Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided, that if any Interest Period with respect to a LIBOR Rate Loan or Eurocurrency Loan would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(iii) any Interest Period with respect to a LIBOR Rate Loan or Eurocurrency Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the relevant calendar month at the end of such Interest Period;

(iv) no Interest Period shall extend beyond the Termination Date; and

(v) there shall be no more than six (6) Interest Periods outstanding at any time.

(c) Default Rate. Subject to Section 11.3 hereof, at the discretion of the Administrative Agent and the Required Lenders, upon the occurrence and during the continuance of an Event of Default: (i) the Borrowers shall no longer have the option to request LIBOR Rate Loans, Eurocurrency Loans or LIBO Market Index Rate Loans; (ii) all amounts due and payable with respect to

LIBOR Rate Loans shall bear interest at a rate per annum two percent (2%) in excess of the rate then applicable to LIBOR Rate Loans until the end of the applicable Interest Period and thereafter at a rate equal to two percent (2%) in excess of the rate then applicable to Base Rate Loans; (iii) LIBO Market Index Rate Loans shall convert to Base Rate Loans; and (iv) all amounts due and payable with respect to Base Rate Loans shall bear interest at a rate per annum equal to two percent (2%) in excess of the rate then applicable to Base Rate Loans. Interest shall continue to accrue on the Notes at the rates set forth above after the filing by or against the Borrowers of any petition seeking any relief in bankruptcy or under any act or law pertaining to insolvency or debtor relief, whether state, federal or foreign, as well as before and after any judgment.

(d) Interest Payment and Computation. Interest on each Base Rate Loan and each LIBO Market Index Rate Loan shall be payable in arrears on the last Business Day of each calendar quarter commencing October 31, 2004, [or earlier, if such Base Rate Loan or LIBO Market Index Rate Loan is repaid by the Borrower prior to the end of any calendar quarter, on the date of such repayment;] and interest on each LIBOR Rate Loans or Eurocurrency Loan shall be payable on the last day of each Interest Period applicable thereto. Interest on LIBOR Rate Loans, Eurocurrency Loans, LIBO Market Index Rate Loans and all fees payable hereunder shall be computed on the basis of a 360-day year and assessed for the actual number of days elapsed, and interest on Base Rate Loans shall be computed on the basis of a 365/66-day year and assessed for the actual number of days elapsed.

(e) Maximum Rate. In no contingency or event whatsoever shall the aggregate of all amounts deemed interest hereunder or under the Notes charged or collected pursuant to the terms of this Agreement or pursuant to the Notes exceed the highest rate permissible under any Applicable Law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such a court determines that the Lenders have charged or received interest hereunder in excess of the highest applicable rate, the rate in effect hereunder shall automatically be reduced to the maximum rate permitted by Applicable Law, and the Lenders shall at the Administrative Agent's option: (i) promptly refund to the Borrowers any interest received by the Lenders in excess of the maximum lawful rate; or (ii) apply such excess to the principal balance of the Obligations. It is the intent hereof that the Borrowers not pay or contract to pay, and that neither the Administrative Agent nor any Lender receive or contract to receive, directly or indirectly in any manner whatsoever, interest in excess of that which may be paid by the Borrowers under Applicable Law.

Section 4.2 Notice and Manner of Conversion or Continuation of Loans. Provided that no Event of Default has occurred and is then continuing, the Borrowers shall have the option to: (a) convert at any time, but not earlier than the third Business Day after the Closing Date, all or any portion of its outstanding Base Rate Loans or LIBO Market Index Rate Loans in a principal amount equal to \$1,000,000 or any whole multiple of \$500,000 in excess thereof into one or more LIBOR Rate Loans; and (b) upon the expiration of any Interest Period, (i) convert all or any part of its outstanding LIBOR Rate Loans in a principal amount equal to \$250,000 or a whole multiple of \$250,000 in excess thereof into Base Rate Loans, (ii) convert all or any part of its outstanding LIBOR Rate Loans in a principal amount equal to \$500,000 or a whole multiple of \$250,000 in excess thereof into LIBO Market Index Rate Loans, or (iii) continue such LIBOR Rate Loans as LIBOR Rate Loans and Eurocurrency Loans as Eurocurrency Loans. Whenever the Borrowers desire to convert or continue Loans as provided above, the Borrowers shall give the Administrative Agent irrevocable prior written notice in the form attached hereto as Exhibit D (a "Notice of Conversion/Continuation") not later than 11:00 a.m.(Philadelphia time) three (3) Business Days before the day on which a proposed conversion or continuation of such Loan is to be effective specifying: (A) the Loans to be converted or continued, and, in the case of any LIBOR Rate Loan to be converted or continued, the last day of the Interest Period therefor; (B) the effective date of such conversion or continuation (which shall be a Business Day); (C) the principal amount of such Loans to be converted or continued; and (D) the Interest Period to be applicable to such converted or continued

LIBOR Rate Loan. The Administrative Agent shall promptly notify the Lenders of such Notice of Conversion/Continuation.

Section 4.3 Fees.

(a) Administration Fee. The Borrowers shall pay the Administrative Agent an administration fee (the "Administration Fee") equal to \$15,000 payable on the Closing Date.

Section 4.4 Manner of Payment. Each payment by the Borrowers on account of the principal of or interest on the Loans or of any fee, commission or other amounts (including without limitation the Reimbursement Obligation) payable to the Lenders under this Agreement or the Notes shall be made not later than 1:00 p.m.(Philadelphia time) on the date specified for payment under this Agreement to the Administrative Agent at the Administrative Agent's Office for the account of the Lenders (other than as set forth below) pro rata in accordance with their respective Commitment Percentages (except as specified below), in Dollars (except with respect to Alternate Currency Loans, as to which payments will be made in the currency in which such Alternate Currency Loan was made) in immediately available funds and shall be made without any set-off, counterclaim or deduction whatsoever. Any payment received after such time but before 2:00 p.m. (Philadelphia time) on such day shall be deemed a payment on such date for the purposes of Section 11.1 hereof, but for all other purposes shall be deemed to have been made on the next succeeding Business Day. Any payment received after 2:00 p.m.(Philadelphia time) shall be deemed to have been made on the next succeeding Business Day for all purposes. Upon receipt by the Administrative Agent of each such payment, the Administrative Agent shall distribute to each Lender at its address for notices set forth herein its pro rata share of such payment in accordance with such Lender's Commitment Percentage (except as specified below) and shall wire advice of the amount of such credit to each Lender. Each payment to the Administrative Agent of the Issuing Lender's fees or L/C Participants commissions shall be made in like manner, but for the account of the Issuing Lender or the L/C Participants, as the case may be. Each payment to the Administrative Agent of Administrative Agent's fees or expenses shall be made for the account of the Administrative Agent, and any amount payable to any Lender under Section 4.6, Section 4.7, Section 4.8, Section 4.9 or Section 13.2 hereof shall be paid to the Administrative Agent for the account of the applicable Lender. Subject to Section 4.1(b)(ii) hereof, if any payment under this Agreement or the Notes shall be specified to be made upon a day which is not a Business Day, it shall be made on the next succeeding day which is a Business Day, and such extension of time shall in such case be included in computing any interest if payable along with such payment.

Section 4.5 Credit of Payments and Proceeds. In the event that the Borrowers shall fail to pay any of the Obligations when due and the Obligations have been accelerated pursuant to Section 11.2 hereof, all payments received by the Lenders upon the Notes and the other Obligations and all net proceeds from the enforcement of the Obligations shall be applied first to all expenses then due and payable by the Borrowers hereunder, then to all indemnity obligations then due and payable by the Borrowers hereunder, then to all Administrative Agent's and Issuing Lender's fees then due and payable, then to all commitment and other fees and commissions then due and payable, then to accrued and unpaid interest on the Notes, the Reimbursement Obligations and any termination payments due in respect of any Hedging Agreement with any Lender (pro rata in accordance with all such amounts due), then to the principal amount of the Notes and Reimbursement Obligations (pro rata in accordance with all such amounts due) and then to the cash collateral account described in Section 11.2(b) hereof to the extent of any L/C Obligations then outstanding, in that order.

Section 4.6 Changed Circumstances.

(a) Circumstances Affecting LIBOR Rate and Eurocurrency Rate Availability. If with respect to any Interest Period the Administrative Agent or any Lender shall determine that, by reason of circumstances affecting the foreign exchange and interbank markets generally, deposits in Eurodollars in the applicable amounts are not being quoted via Telerate Page 3750 or offered to the Administrative Agent or such Lender for such Interest Period, then the Administrative Agent shall forthwith give notice thereof to the Borrowers. Thereafter, until the Administrative Agent notifies the Borrowers that such circumstances no longer exist, the obligation of the Lenders to make LIBOR Rate Loans, Eurocurrency Loans or LIBO Market Index Rate Loans and the right of the Borrowers to convert any Loan to or continue any Loan as a LIBOR Rate Loan, Eurocurrency Loan or a LIBO Market Index Rate Loan shall be suspended, and the Borrowers shall: (i) repay in full (or cause to be repaid in full) the then outstanding principal amount of each such LIBOR Rate Loan or Eurocurrency Loan, together with accrued interest thereon, on the last day of the then current Interest Period applicable to such LIBOR Rate Loan or Eurocurrency Loan; (ii) repay in full (or cause to be repaid in full) the then outstanding principal amount of each such LIBO Market Index Rate Loan together with accrued interest thereon; or (iii) convert to a Base Rate Loan the then outstanding principal amount of each such LIBO Market Index Rate Loan and, as of the last day of each applicable Interest Period, the then outstanding principal amount of each such LIBOR Rate Loan or Eurocurrency Loan.

(b) Laws Affecting LIBOR Rate, Eurocurrency Rate and LIBO Market Index Rate Availability. If, after the date hereof, the introduction of, or any change in, any Applicable Law or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or any of their respective Lending Offices) with any request or directive (whether or not having the force of law) of any such Authority, central bank or comparable agency, shall make it unlawful or impossible for any Lender (or any of their respective Lending Offices) to honor its obligations hereunder to make or maintain any LIBOR Rate Loan, Eurocurrency Loan or LIBO Market Index Rate Loan, such Lender shall promptly give notice thereof to the Administrative Agent, and the Administrative Agent shall promptly give notice to the Borrowers and the other Lenders. Thereafter, until the Administrative Agent notifies the Borrowers that such circumstances no longer exist, (i) the obligations of the Lenders to make LIBOR Rate Loans, Eurocurrency Loans, or LIBO Market Index Rate Loans and the right of the Borrowers to convert any Loan or continue any Loan as a LIBOR Rate Loan, Eurocurrency Loan or LIBO Market Index Rate Loan shall be suspended and thereafter the Borrowers may select only Base Rate Loans hereunder, and (ii) if any of the Lenders may not lawfully continue to maintain a LIBO Market Index Rate Loan, LIBOR Rate Loan or Eurocurrency Loan to the end of the then current Interest Period applicable thereto, the applicable LIBO Market Index Rate Loan shall immediately be converted to a Base Rate Loan or the applicable LIBOR Rate Loan or Eurocurrency Loan shall immediately be converted to a Base Rate Loan for the remainder of the Interest Period applicable thereto.

(c) Increased Costs. If, after the date hereof, the introduction of, or any change in, any Applicable Law, or in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or any of their respective Lending Offices) with any request or directive (whether or not having the force of law) of such Authority, central bank or comparable agency:

(i) shall subject any Lender (or any of their respective Lending Offices) to any tax, duty or other charge with respect to any Note, any Letter of Credit or any Application or shall change the basis of taxation of payments to any Lender (or any of their respective Lending Offices) of the principal of or interest on any Note, any Letter of Credit or any Application or any other amounts due under this Agreement in respect thereof including MLA Costs (except for changes in the rate

of tax on the overall net income of any Lender or any of their respective Lending Offices imposed by the jurisdiction in which such Lender is organized or is or should be qualified to do business or such Lending Office is located); or

(ii) shall impose, modify or deem applicable any reserve (including without limitation any imposed by the Board of Governors of the Federal Reserve System), special deposit, insurance or capital or similar requirement against assets of, deposits with or for the account of, or credit extended by any Lender (or any of their respective Lending Offices) or shall impose on any Lender (or any of their respective Lending Offices) or the foreign exchange and interbank markets any other condition affecting any Note;

and the result of any of the foregoing is to increase the costs to any Lender of maintaining any LIBOR Rate Loan, Eurocurrency Loan or LIBO Market Index Rate Loan or issuing Letters of Credit or to reduce the yield or amount of any sum received or receivable by any Lender under this Agreement or under the Notes in respect of a LIBOR Rate Loan, Eurocurrency Loan, LIBO Market Index Rate Loan or Letter of Credit or Application, then such Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify the Borrowers of such fact and demand compensation therefor and, within fifteen (15) days after such notice by the Administrative Agent, the Borrowers shall pay to such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction. The Lender will promptly notify the Borrowers of any event of which it has knowledge which will entitle such Lender to compensation pursuant to this Section 4.6(c); provided, that the Administrative Agent shall incur no liability whatsoever to the Borrowers in the event it fails to do so. The amount of such compensation shall be determined, in the applicable Lender's sole discretion, based upon the assumption that such Lender funded its Commitment Percentage of the LIBOR Rate Loans, Eurocurrency Loans or the LIBO Market Index Rate Loans in the London interbank market and using any reasonable attribution or averaging methods which such Lender deems appropriate and practical. A certificate of such Lender setting forth the basis for determining such amount or amounts necessary to compensate such Lender shall be forwarded to the Borrowers and shall be conclusively presumed to be correct save for manifest error. The Lenders shall determine the applicability of, and the amount due under, this Section 4.6 consistent with the manner in which they apply similar provisions and calculate similar amounts payable to it by other borrowers having in their credit agreements provisions comparable to this Section 4.6.

(d) Replacement of Defaulting Lenders. Any Lender that: (i) is unable to or is prohibited from making LIBOR Rate Loans, Eurocurrency Loans or LIBO Market Index Rate Loans to the Borrowers as set forth in Section 4.6(a) or Section 4.6(b) above or (ii) incurs increased costs and demands compensation therefor as set forth in Section 4.6(c) above, shall be referred to hereafter as a "Defaulting Lender." If any Lender is a Defaulting Lender, then Borrowers may elect to remove such Defaulting Lender from this Agreement, and notwithstanding the provisions of Section 13.13 hereof to the contrary, the consent of the Remaining Lenders shall not be required for such removal, and so long as no Default or Event of Default has occurred and is continuing, the consent of solely the Borrowers and the Administrative Agent shall be required for the replacement bank, if any, and the requirement that the Defaulting Lender's Commitment must be replaced, and the requisite documentation to effect such removal and replacement, such consent not to be unreasonably withheld or delayed.

Section 4.7 Indemnity. The Borrowers hereby indemnify each of the Lenders against any loss or expense which may arise or be attributable to each Lender's obtaining, liquidating or employing deposits or other funds acquired to effect, fund or maintain any Loan: (a) as a consequence of any failure by the Borrowers to make any payment when due of any amount due hereunder in connection with a LIBOR Rate Loan or Eurocurrency Loan; (b) due to any failure of the Borrowers to borrow on a date specified therefor in a Notice of Borrowing or Notice of Continuation/Conversion; or (c) due to any

payment, prepayment or conversion of any LIBOR Rate Loan or Eurocurrency Loan on a date other than the last day of the Interest Period therefor. The amount of such loss or expense shall be determined, in the applicable Lender's sole discretion, based upon the assumption that such Lender funded the LIBOR Rate Loans or Eurocurrency Loans in the London interbank market and using any reasonable attribution or averaging methods which such Lender deems appropriate and practical. A certificate of such Lender setting forth the basis for determining such amount or amounts necessary to compensate the Lender shall be forwarded to the Borrowers through the Administrative Agent and shall be conclusively presumed to be correct save for manifest error.

Section 4.8 Capital Requirements. If either (a) the introduction of, or any change in, or in the interpretation of, any Applicable Law or (b) compliance with any guideline or request from any central bank or comparable agency or other Governmental Authority (whether or not having the force of law), has or would have the effect of reducing the rate of return on the capital of, or has affected or would affect the amount of capital required to be maintained by, any Lender or any corporation controlling such Lender as a consequence of, or with reference to the Commitments and other commitments of this type, below the rate which the Lender or such other corporation could have achieved but for such introduction, change or compliance, then within five (5) Business Days after written demand by such Lender, the Borrowers shall pay to such Lender from time to time as specified by such Lender additional amounts sufficient to compensate such Lender or other corporation for such reduction. A certificate as to such amounts submitted to the Borrowers and the Administrative Agent by such Lender, shall, in the absence of manifest error, be presumed to be correct and binding for all purposes. Lenders shall determine the applicability of, and the amount due under, this Section 4.8 consistent with the manner in which it applies similar provisions and calculates similar amounts payable to it by other borrowers having in their credit agreements provisions comparable to this Section 4.8.

Section 4.9 Taxes.

(a) Payments Free and Clear. Any and all payments by the Borrowers hereunder or under the Notes or the Letters of Credit shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholding, and all liabilities with respect thereto excluding, (i) in the case of each Lender and the Administrative Agent, income and franchise taxes imposed by the jurisdiction under the laws of which such Lender and the Administrative Agent (as the case may be) is organized or is or should be qualified to do business or any political subdivision thereof and (ii) in the case of each Lender, income and franchise taxes imposed by the jurisdiction of such Lender's Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrowers shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note or Letter of Credit to any Lender or the Administrative Agent: (A) the sum payable shall be increased as may be necessary so that after making all required deductions (including without limitation deductions applicable to additional sums payable under this Section 4.9) such Lender or the Administrative Agent (as the case may be) receives an amount equal to the amount it would have received had no such deductions been made; (B) the Borrowers shall make such deductions; (C) the Borrowers shall pay the full amount deducted to the relevant taxing authority or other authority in accordance with applicable law; and (D) the Borrowers shall deliver to the Administrative Agent evidence of such payment to the relevant taxing authority or other authority in the manner provided in Section 4.9(d) hereof.

(b) Stamp and Other Taxes. In addition, the Borrowers shall pay any present or future stamp, registration, recordation or documentary taxes or any other similar fees or charges or excise or property taxes, levies of the United States or any state or political subdivision thereof or any applicable foreign jurisdiction which arise from any payment made hereunder or from the execution,

delivery or registration of, or otherwise with respect to, this Agreement, the Loans, the Letters of Credit, the other Loan Documents, or the perfection of any rights or security interest in respect thereto (hereinafter referred to as "Other Taxes").

(c) Indemnity. The Borrowers shall indemnify each Lender and the Administrative Agent for the full amount of Taxes and Other Taxes (including without limitation any Taxes and Other Taxes imposed by any jurisdiction on amounts payable under this Section 4.9) paid by such Lender or the Administrative Agent (as the case may be) and any liability (including without limitation penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Such indemnification shall be made within thirty (30) days from the date such Lender or the Administrative Agent (as the case may be) makes written demand therefor.

(d) Evidence of Payment. Within thirty (30) days after the date of any payment of Taxes or Other Taxes, the Borrowers shall furnish to the Administrative Agent, at its address referred to in Section 13.1 hereof, the original or a certified copy of a receipt evidencing payment thereof or other evidence of payment satisfactory to the Administrative Agent.

(e) Survival. Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements and obligations of each Borrower contained in this Section 4.9 shall survive the payment in full of the Obligations and the termination of the Commitments.

(f) Delivery of Tax Forms. Each Lender organized under the laws of a jurisdiction other than the United States or any state thereof shall deliver to the Borrower, with a copy to the Administrative Agent, on the Closing Date or concurrently with the delivery of the relevant Assignment and Acceptance, as applicable, (i) two United States Internal Revenue Service Forms W-8ECI or Forms W-8BEN, as applicable (or successor forms), properly completed and certifying in each case that such Lender is entitled to a complete exemption from withholding or deduction for or on account of any United States federal income taxes, and (ii) an Internal Revenue Service Form W-8 or W-9 or successor applicable form, as the case may be, to establish an exemption from United States backup withholding taxes. Each such Lender further agrees to deliver to the Borrower, with a copy to the Administrative Agent, a Form W-8ECI or W-8BEN and Form W-8 or W-9, or successor applicable forms or manner of certification, as the case may be, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower, certifying in the case of a Form W-8ECI or W-8BEN that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes (unless in any such case an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders such forms inapplicable or the exemption to which such forms relate unavailable and such Lender notifies the Borrower and the Administrative Agent that it is not entitled to receive payments without deduction or withholding of United States federal income taxes) and, in the case of a Form W-8 or W-9, establishing an exemption from United States backup withholding tax.

Section 4.10 Guaranty. The Obligations of the Borrowers shall be guaranteed by the Guarantors as provided in the Guaranty Agreement.

Section 4.11 Adjustments. If any Lender (a "Benefited Lender") shall at any time receive any payment of all or part of the Obligations owing to it, or interest thereon, or if any Lender shall at any time receive any collateral in respect to the Obligations owing to it (whether voluntarily or involuntarily, by set-off or otherwise) in a greater proportion than any such payment to and collateral received by any other Lender, if any, in respect of the Obligations owing to such other Lender, or interest

thereon, such Benefited Lender shall purchase for cash from the other Lenders such portion of each such other Lender's Extensions of Credit, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such Benefited Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned to the extent of such recovery, but without interest. The Borrowers agree that each Lender so purchasing a portion of another Lender's Extensions of Credit may exercise all rights of payment (including without limitation rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion.

Section 4.12 Nature of Obligations of Lenders Regarding Extensions of Credit; Assumption by the Administrative Agent. The obligations of the Lenders under this Agreement to make the Loans and issue or participate in Letters of Credit are several and are not joint or joint and several. Unless the Administrative Agent shall have received notice from a Lender prior to a proposed borrowing date that such Lender will not make available to the Administrative Agent such Lender's ratable portion of the amount to be borrowed on such date (which notice shall not release such Lender of its obligations hereunder), the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the proposed borrowing date in accordance with Section 2.2(c) hereof, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrowers on such date a corresponding amount. If such amount is made available to the Administrative Agent on a date after such borrowing date, such Lender shall pay to the Administrative Agent on demand an amount, until paid, equal to the product of (a) the amount not made available by such Lender in accordance with the terms hereof, times (b) the daily average Federal Funds Rate during such period as determined by the Administrative Agent, times (c) a fraction the numerator of which is the number of days that elapse from and including such borrowing date to the date on which such amount not made available by such Lender in accordance with the terms hereof shall have become immediately available to the Administrative Agent and the denominator of which is 360. A certificate of the Administrative Agent with respect to any amounts owing under this Section 4.12 shall be conclusive, absent manifest error. If such Lender's Commitment Percentage of such borrowing is not made available to the Administrative Agent by such Lender within three (3) Business Days of such borrowing date, the Administrative Agent shall be entitled to recover such amount made available by the Administrative Agent with interest thereon at the rate per annum applicable to Base Rate Loans hereunder, on demand, from the Borrowers. The failure of any Lender to make available its Commitment Percentage of any Loan requested by the Borrowers shall not relieve it or any other Lender of its obligation, if any, hereunder to make its Commitment Percentage of such Loan available on the borrowing date, but no Lender shall be responsible for the failure of any other Lender to make its Commitment Percentage of such Loan available on the borrowing date.

Section 4.13 Currencies; Currency Equivalent and Related Provisions.

(a) Redenomination and Alternate Currencies. Each obligation of any party under this Agreement which has been denominated in the fixed national currency unit of a Participating Member State shall be redenominated into the euro in accordance with the legislation of the European Union applicable to such currency, provided, that if and to the extent that any such legislation provides that an amount denominated either in the euro unit or in the national currency unit of a Participating Member State and payable within the Participating Member State by crediting an account of a creditor can be paid by a debtor either in the euro unit or in that national currency unit, each party to this Agreement shall be entitled to pay or repay any such amount either in the euro unit or in such national currency unit.

(b) Loans. Any portion of an Alternate Currency Loan in the currency of a Participating Member State shall be made in the euro unit, provided that any portion of such Alternate Currency Loan may, if so requested by Borrowers, be made in the national currency unit of any Participating Member State so long as such national currency unit continues to be available as legal tender for obligations of the same type or character as the obligations set forth in this Agreement, is freely convertible and is not subject to exchange controls.

(c) Payments by Borrowers. Those Sections of this Agreement providing for payment or repayment in a national currency unit shall be construed so that, in relation to the payment of any amount of euro units or national currency units, such amount shall be made available to the Lenders in immediately available, freely transferable, cleared funds to such account with Lenders (in such principal financial center) as Lenders may from time to time in good faith nominate for this purpose.

(d) Payments by Lenders Generally. With respect to the payment of any amount denominated in the euro unit or in a national currency unit, no Lender shall be liable to the Borrowers in any way whatsoever for any delay, or the consequences of any delay, in the crediting to any account of any amount required by this Agreement to be paid by a Lender if such Lender has made reasonable effort to effect all relevant steps to achieve, on the date required by the Agreement, the payment of such amount in immediately available, freely transferable, cleared funds (in the euro unit or, as the case may be, in a national currency unit) to the account with such Lender in the principal financial center in the Participating Member State which the Borrowers shall have specified for such purpose. In this paragraph, "all relevant steps" means all such steps as may be prescribed from time to time by the regulations or operating procedures of such clearing or settlement system as the Lender may from time to time reasonably believe to be in effect for the purpose of clearing or settling payment in the euro.

(e) Basis of Accrual. If the basis of accrual of interest or fees expressed in this Agreement with respect to the currency of any state that becomes a Participating State Member, in Administrative Agent's judgment, shall not be available because interest rate quotes for a national currency unit are no longer provided, or shall be inconsistent with any convention or practice in the London interbank market for the basis of accrual of interest or fees in respect of the euro, such convention or practice shall replace such expressed basis effective as of and from the date on which such state becomes a Participating Member State; provided, however, if any or all of an Alternate Currency Loan in the currency of such state is outstanding immediately prior to such date, such replacement shall take effect, with respect to such portion of the Alternate Currency Loan, on the last day of the current Interest Period.

(f) Rounding and Other Consequential Changes. Without prejudice and in addition to any method of conversion or rounding prescribed by any applicable legislation, and without prejudice to the respective liabilities for indebtedness of the Borrowers to Lenders and the Lenders to the Borrowers under or pursuant to this Agreement:

(i) each reference in this Agreement to a minimum amount (or an integral multiple thereof) in a national currency unit to be paid to or by Lenders shall be replaced by a reference to such reasonably comparable amount (or an integral multiple thereof) in the euro unit as Administrative Agent may from time to time specify; and

(ii) except as expressly provided in this Agreement, each provision of this Agreement, including, without limitation, the right to combine currencies to effect a set off, shall be subject to such reasonable changes of interpretation as Administrative Agent, as applicable, may from time to time specify to be necessary or appropriate to reflect the introduction of or change over to the euro in Participating Member States.

(g) Exchange Indemnification and Increased Costs. The Borrowers shall, upon demand from Administrative Agent, pay to Lenders the amount of: (i) any loss or cost or increased cost incurred by any Lender, (ii) any reduction in any amount payable to or in the effective return on its capital to any Lender, (iii) interest or other return, including principal, foregone by any Lender as a result of the introduction of, change over to or operation of the euro in any Participating Member State, or (iv) any currency exchange loss that any Lender sustains as a result of the Borrowers' election to borrow in national currency units and repay in euro units or to borrow in euro units and repay in national currency units. A certificate of a Lender setting forth the basis for determining such additional amount or amounts necessary to compensate such Lender shall be conclusively presumed to be correct save for manifest error.

ARTICLE V
CLOSING; CONDITIONS OF CLOSING AND BORROWING

Section 5.1 Closing. The closing shall take place at the offices of Pepper Hamilton LLP at 10:00 a.m. on September ____, 2004, or on such other date and in such other manner as the parties hereto shall mutually agree.

Section 5.2 Conditions to Closing and Initial Extensions of Credit. The obligation of the Administrative Agent and the Lenders to close this Agreement and to make the initial Loan or to issue the initial Letter of Credit is subject to the satisfaction of each of the following conditions:

(a) Executed Loan Documents. This Agreement, the Notes and the Guaranty Agreement shall have been duly authorized, executed and delivered to the Administrative Agent by the parties thereto, shall be in full force and effect and no Default or Event of Default shall exist thereunder, and the Borrowers and Guarantors, as applicable, shall have delivered original counterparts thereof to the Administrative Agent.

(b) Closing Certificates; etc.

(i) Certificate of the Secretary of each Borrower and Guarantor. The Administrative Agent shall have received a certificate of the secretary or assistant secretary of each Borrower and each Guarantor certifying as to the incumbency and genuineness of the signature of each officer of such Borrower (including without limitation the Non-U.S. Borrowers) or Guarantor executing Loan Documents to which it is a party and certifying (A) that either (1) since the last delivery of such documents to Wachovia there have been no changes to the articles, or certificate(s), of incorporation, the bylaws or other similar formation or organizational documents of such Borrower or Guarantor as in effect on the date of such certifications or, for each such Borrower or Guarantor to which (1) does not apply, (2) that attached thereto is a true, correct and complete copy of the articles, or certificate(s), of incorporation, the bylaws or other similar formation or organizational documents and all amendments thereto of such Borrower or Guarantor as in effect on the date of such certifications; and (B) that attached thereto is a true, correct and complete copy of resolutions duly adopted by the board of directors of such Borrower or Guarantor authorizing the borrowings contemplated hereunder and the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party.

(ii) Certificates of Good Standing. The Administrative Agent shall have received certificates as of a recent date of the good standing of each Borrower (including without limitation the Non-U.S. Borrowers) and each Guarantor under the laws of its jurisdiction of organization.

(iii) Opinions of Counsel. The Administrative Agent shall have received favorable opinions of counsel to the Borrowers and the Guarantors addressed to the Administrative Agent and the Lenders with respect to such matters as the Lenders shall request.

(c) Hazard and Liability Insurance. The Administrative Agent shall have received certificates of current hazard, business interruption and liability insurance, and, if requested by the Administrative Agent, evidence of payment of all insurance premiums for the current policy period of each and copies (certified by a Responsible Officer) of insurance policies in form and substance reasonably satisfactory to the Administrative Agent.

(d) Consents; Defaults.

(i) Governmental and Third Party Approvals. The Borrowers shall have obtained all necessary approvals, authorizations and consents of any Person and of all Governmental Authorities and courts having jurisdiction with respect to the transactions contemplated by this Agreement and the other Loan Documents.

(ii) No Injunction, Etc. No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any Governmental Authority to enjoin, restrain, or prohibit, or to obtain substantial damages in respect of, or which is related to or arises out of this Agreement or the other Loan Documents or the consummation of the transactions contemplated hereby or thereby, or which, in the Administrative Agent's sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement and such other Loan Documents.

(iii) No Event of Default. No Default or Event of Default shall have occurred and be continuing.

(e) Financial Matters.

(i) Financial Statements. The Administrative Agent shall have received the most recent audited Consolidated financial statements of Urban and its Consolidated Subsidiaries, all in form and substance satisfactory to the Administrative Agent.

(ii) Financial Condition Certificate. The Borrowers shall have delivered to the Administrative Agent a certificate, in form and substance satisfactory to the Administrative Agent, and certified as accurate by a Responsible Officer of Urban, that: (A) each Borrower and each Subsidiary is Solvent; (B) each Borrower's uncontested payables are current and not past due in excess of sixty (60) days; (C) attached thereto are the quarterly financial statements for the second quarter of the current fiscal year, ending [July 31, 2004], setting forth the financial condition of the Borrowers and their Consolidated Subsidiaries on a Consolidated basis as of that date, and evidencing compliance with the covenants contained in Articles IX and X of the Credit Agreement and (D) attached thereto are the financial projections previously delivered to the Administrative Agent representing the good faith opinions of the Borrowers and senior management thereof as to the projected results contained therein.

(iii) Payments at Closing. The Borrowers shall have paid the fees due to Lenders under Section 4.3 hereof and any other accrued and unpaid fees or commissions due hereunder (including without limitation legal fees and expenses to the Administrative Agent), and to any other Person such amount as may be due thereto in connection with the transactions contemplated hereby,

including without limitation all taxes, fees and other charges in connection with the execution, delivery, recording, filing and registration of any of the Loan Documents.

(f) Miscellaneous.

(i) Notice of Account Designation. The Administrative Agent shall have received a Notice of Account Designation specifying the account or accounts to which the proceeds of any Loans are to be disbursed.

(ii) Proceedings and Documents. All opinions, certificates and other instruments and all proceedings in connection with the transactions contemplated by this Agreement shall be satisfactory in form and substance to the Administrative Agent. The Administrative Agent shall have received copies of all other instruments and other evidence as the Administrative Agent may reasonably request, in form and substance satisfactory to the Administrative Agent, with respect to the transactions contemplated by this Agreement and the taking of all actions in connection therewith.

(iii) Due Diligence and Other Documents. The Borrowers shall have delivered to the Administrative Agent documentation evidencing the Existing Wachovia Facility and such other documents, certificates and opinions as the Administrative Agent may reasonably request.

(iv) Tax Forms. Lenders shall have delivered to Administrative Agent any U.S. Internal Revenue Service tax forms required under Section 4.9(f) hereof.

Section 5.3 Conditions to All Extensions of Credit. The obligation of the Administrative Agent and the Lenders to make any Extension of Credit is subject to the satisfaction of the following conditions precedent on the relevant borrowing or issue date, as applicable:

(a) Continuation of Representations and Warranties. The representations and warranties contained in Article VI hereof shall be true and correct on and as of such borrowing or issuance date with the same effect as if made on and as of such date; except for any representation and warranty made as of an earlier date, which representation and warranty shall remain true and correct as of such earlier date.

(b) No Existing Default. No Default or Event of Default shall have occurred and be continuing hereunder (i) on the borrowing date with respect to such Loan or after giving effect to the Loans to be made on such date or (ii) on the issue date with respect to such Letter of Credit or after giving effect to such Letters of Credit on such date.

(c) Officer's Compliance Certificate; Additional Documents. The Administrative Agent shall have received the current Officer's Compliance Certificate and each additional document, instrument, legal opinion or other item of information, as reasonably requested by the Administrative Agent.

(d) Conditions. Each borrowing by the Borrowers or request for the issuance of a Letter of Credit shall constitute a representation and warranty by the Borrowers as of the date of such Loan or issuance of such Letter of Credit that the conditions of this Section 5.3 hereof have been satisfied.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES OF THE BORROWERS

Section 6.1 Representations and Warranties. To induce the Administrative Agent and the Lenders to enter into this Agreement and to induce the Lenders to make Extensions of Credit, the Borrowers hereby represent and warrant to the Administrative Agent and the Lenders both before and after giving effect to the transactions contemplated hereunder that:

(a) Organization; Power; Qualification. Each Borrower and each Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, has the power and authority to own its properties and to carry on its business as now being and hereafter proposed to be conducted and is duly qualified and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification and authorization, except where the failure to obtain such qualification or authorization would not have a Material Adverse Effect. The jurisdictions in which each Borrower and each Guarantor are organized and qualified to do business as of the Closing Date are described on Schedule 6.1(a) hereto.

(b) Ownership. Each Subsidiary of any Borrower and each of their respective Subsidiaries, as of the Closing Date, as depicted on the organizational chart attached hereto as Schedule 6.1(b). As of the Closing Date and unless otherwise noted on Schedule 6.1(b), each "parent" entity depicted on Schedule 6.1(b) hereto owns one hundred percent (100%) of the outstanding equity of any entity shown to be a subsidiary. All of the outstanding shares representing the equity ownership of the parent entities have been duly authorized and validly issued and are fully paid and nonassessable. As of the Closing Date, there are no outstanding stock purchase warrants, subscriptions, options, securities, instruments or other rights of any type or nature whatsoever, which are convertible into, exchangeable for or otherwise provide for or permit the issuance of capital stock of any Borrower.

(c) Authorization of Agreement, Loan Documents and Borrowing. Each Borrower, each Subsidiary and each Guarantor has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Agreement and each of the other Loan Documents to which it is a party in accordance with their respective terms. This Agreement and each of the other Loan Documents have been duly executed and delivered by the duly authorized officers of each Borrower, each Subsidiary and each Guarantor party thereto, and each such document constitutes the legal, valid and binding obligation of each Borrower, each Subsidiary and each Guarantor party thereto, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors rights in general and the availability of equitable remedies.

(d) Compliance of Agreement, Loan Documents and Borrowing with Laws, Etc. The execution, delivery and performance by each Borrower, each Subsidiary and each Guarantor of the Loan Documents to which each such Person is a party, in accordance with their respective terms, the borrowings hereunder and the transactions contemplated hereby do not and will not, by the passage of time, the giving of notice or otherwise, (i) require any Governmental Approval or violate any Applicable Law relating to any Borrower, any Subsidiary or any Guarantor, (ii) conflict with, result in a breach of or constitute a default under the articles or certificate of incorporation, bylaws or other organizational documents of any Borrower, any Subsidiary or any Guarantor or any indenture, agreement or other instrument to which such Person is a party or by which any of its properties may be bound or any Governmental Approval relating to such Person, or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by such Person other than Liens (if any) arising under the Loan Documents.

(e) Compliance with Law; Governmental Approvals. Each Borrower, each Subsidiary and each Guarantor: (i) has all Governmental Approvals required by any Applicable Law for it to conduct its business, each of which is in full force and effect, is final and not subject to review on appeal and is not the subject of any pending or, to the best of its knowledge, threatened attack by direct or collateral proceeding, except where the failure to obtain any such Governmental Approvals or the existence of any potential appeals or threatened attacks in connection therewith would not, singly or in the aggregate, have a Material Adverse Effect, and (ii) is in compliance with each Governmental Approval applicable to it and in compliance with all other Applicable Laws relating to it or any of its respective properties, except for such failures to comply that would not, singly or in the aggregate, have a Material Adverse Effect.

(f) Tax Returns and Payments. Each Borrower, each Subsidiary and each Guarantor has duly filed or caused to be filed all federal, state, local and other tax returns required by Applicable Law to be filed, and has paid, or made adequate provision for the payment of, all federal, state, local and other taxes, assessments and governmental charges or levies upon it and its property, income, profits and assets which are due and payable, except such taxes that are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. No Governmental Authority has asserted any Lien or other claim against any Borrower, any Subsidiary or any Guarantor with respect to unpaid taxes which has not been discharged or resolved. The charges, accruals and reserves on the books of each Borrower, each Subsidiary and each Guarantor in respect of federal, state, local and other taxes for all Fiscal Years and portions thereof since the organization of each Borrower, each Subsidiary and each Guarantor are in the judgment of the Borrowers adequate, and the Borrowers do not anticipate any additional taxes or assessments for any of such years.

(g) Intellectual Property Matters. Each Borrower, each Subsidiary and each Guarantor owns or possesses rights to use all franchises, licenses, copyrights, copyright applications, patents, patent rights or licenses, patent applications, trademarks, trademark rights, trade names, trade name rights, copyrights and rights with respect to the foregoing which are required to conduct its business. No event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any such rights, and no Borrower nor any Subsidiary is liable to any Person for infringement under Applicable Law with respect to any such rights as a result of its business operations, except to the extent any such event or liability, either singly or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(h) Environmental Matters.

(i) To the knowledge of each Borrower, each Subsidiary and each Guarantor, the properties owned, leased or operated by each Borrower, each Subsidiary and each Guarantor do not contain, and to their knowledge have not previously contained, any Hazardous Materials in amounts or concentrations which (A) constitute or constituted a violation of applicable Environmental Laws or (B) could give rise to Borrower liability under applicable Environmental Laws which, either singly or in the aggregate, could reasonably be expected to cause a Material Adverse Effect;

(ii) Each Borrower, each Subsidiary, each Guarantor and their properties and all operations conducted in connection therewith are in compliance, and have been in compliance (other than such instances which have been cured), with all applicable Environmental Laws, except to the extent any instances of noncompliance, either singly or in the aggregate, could not reasonably be expected to cause a Material Adverse Effect;

(iii) No Borrower, Subsidiary or Guarantor has received any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental

matters, Hazardous Materials, or compliance with Environmental Laws, nor does any Borrower, any Subsidiary or any Guarantor have knowledge or reason to believe that any such notice will be received or is being threatened, except to the extent any such notices, either singly or in the aggregate, could not reasonably be expected to cause a Material Adverse Effect;

(iv) To the knowledge of each Borrower, Subsidiary or Guarantor, Hazardous Materials have not been transported or disposed of to or from the properties owned, leased or operated by any Borrower, any Subsidiary or any Guarantor in violation of, or in a manner or to a location which could give rise to liability under Environmental Laws which, either singly or in the aggregate, could reasonably be expected to cause a Material Adverse Effect, nor have any Hazardous Materials been generated, treated, stored or disposed of at, on or under any of such properties in violation of, or in a manner that could give rise to liability under, any applicable Environmental Laws which, either singly or in the aggregate, could reasonably be expected to cause a Material Adverse Effect;

(v) No judicial proceedings or governmental or administrative action is pending, or, to the knowledge of any Borrower, any Subsidiary or any Guarantor, threatened, under any Environmental Law to which any Borrower, any Subsidiary or any Guarantor is or will be named as a party, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to any Borrower, any Subsidiary, any Guarantor or such properties owned (or, to the knowledge of any Borrower, Subsidiary or Guarantor, leased) by any Borrower, Subsidiary or Guarantor, or operations conducted by any Borrower, Subsidiary or Guarantor, except to the extent any such proceedings, actions, decrees, orders or requirements, either singly or in the aggregate, could not reasonably be expected to cause a Material Adverse Effect; and

(vi) To the knowledge of each Borrower, each Subsidiary and each Guarantor, there has been no release or threat of release of Hazardous Materials at or from properties owned, leased or operated by any Borrower, any Subsidiary or any Guarantor, now or in the past, in violation of or in amounts or in a manner that could give rise to liability to any Borrower, any Subsidiary, any Guarantor or to any assignee thereof under Environmental Laws which, either singly or in the aggregate, could reasonably be expected to cause a Material Adverse Effect.

(i) ERISA.

(i) As of the Closing Date, no Borrower, Subsidiary, Guarantor or ERISA Affiliate maintains or contributes to, or has any obligation under, any Employee Benefit Plans other than those identified on Schedule 6.1(i) hereto;

(ii) Each Borrower, Subsidiary, Guarantor and ERISA Affiliate is in compliance with all applicable provisions of ERISA and the regulations and published interpretations thereunder with respect to all Employee Benefit Plans except for any required amendments for which the remedial amendment period as defined in Section 401(b) of the Code has not yet expired. Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code has been determined by the Internal Revenue Service to be so qualified, and each trust related to such plan has been determined to be exempt under Section 501(a) of the Code. No liability has been incurred by any Borrower, any Subsidiary, any Guarantor or any ERISA Affiliate which remains unsatisfied for any taxes or penalties with respect to any Employee Benefit Plan or any Multiemployer Plan;

(iii) No Pension Plan has been terminated, nor has any accumulated funding deficiency (as defined in Section 412 of the Code) been incurred (without regard to any waiver granted under Section 412 of the Code), nor has any funding waiver from the Internal Revenue Service

been received or requested with respect to any Pension Plan, nor has any Borrower, any Subsidiary, any Guarantor or any ERISA Affiliate failed to make any contributions or to pay any amounts due and owing as required by Section 412 of the Code, Section 302 of ERISA or the terms of any Pension Plan prior to the due dates of such contributions under Section 412 of the Code or Section 302 of ERISA, nor has there been any event requiring any disclosure under Section 4041(c)(3)(C) or 4063(a) of ERISA with respect to any Pension Plan;

(iv) No Borrower, Subsidiary, Guarantor or ERISA Affiliate has: (A) engaged in a nonexempt prohibited transaction described in Section 406 of the ERISA or Section 4975 of the Code; (B) incurred any liability to the PBGC which remains outstanding other than the payment of premiums and there are no premium payments which are due and unpaid; (C) failed to make a required contribution or payment to a Multiemployer Plan; or (D) failed to make a required installment or other required payment under Section 412 of the Code;

(v) No Termination Event has occurred or is reasonably expected to occur; and

(vi) No proceeding, claim, lawsuit and/or investigation is existing or, to the best knowledge of each Borrower, each Subsidiary and each Guarantor after due inquiry, threatened, concerning or involving any (A) employee welfare benefit plan (as defined in Section 3(1) of ERISA) currently maintained or contributed to by any Borrower, any Subsidiary, any Guarantor or any ERISA Affiliate, (B) Pension Plan or (C) Multiemployer Plan.

(j) Margin Stock. No Borrower, Subsidiary or Guarantor is engaged principally or as one of its activities in the business of extending credit for the purpose of purchasing or carrying any margin stock (as each such term is defined or used in Regulation U of the Board of Governors of the Federal Reserve System). No part of the proceeds of any of the Loans or Letters of Credit will be used for purchasing or carrying margin stock or for any purpose which violates, or which would be inconsistent with, the provisions of Regulation T, U or X of such Board of Governors.

(k) Government Regulation. No Borrower, Subsidiary or Guarantor is an investment company or a company controlled by an investment company (as each such term is defined or used in the Investment Company Act of 1940, as amended), and no Borrower, Subsidiary or Guarantor is, or after giving effect to any Extension of Credit will be, subject to regulation under the Public Utility Holding Company Act of 1935 or the Interstate Commerce Act, each as amended, or any other Applicable Law which limits its ability to incur or consummate the transactions contemplated hereby.

(l) Material Contracts. Schedule 6.1(l) hereto sets forth a complete and accurate list of all Material Contracts of each Borrower, each Subsidiary and each Guarantor in effect as of the Closing Date not listed on any other Schedule hereto; other than as set forth in Schedule 6.1(l) hereto, each such Material Contract is, and after giving effect to the consummation of the transactions contemplated by the Loan Documents will be, in full force and effect in accordance with the terms thereof.

(m) Employee Relations. Each Borrower, each Subsidiary and each Guarantor enjoys good employee relations and is not, as of the Closing Date, party to any collective bargaining agreement nor has any labor union been recognized as the representative of its employees except as set forth on Schedule 6.1(m) hereto. No Borrower, Subsidiary or Guarantor knows of any pending, threatened or contemplated strikes, work stoppage or other collective labor disputes involving its employees or those of any Subsidiary.

(n) Burdensome Provisions. No Borrower, Subsidiary or Guarantor is a party to any indenture, agreement, lease or other instrument, or subject to any corporate or partnership restriction, Governmental Approval or Applicable Law which is so unusual or burdensome as in the foreseeable future could be reasonably expected to have a Material Adverse Effect. No Borrower, Subsidiary or Guarantor presently anticipates that future expenditures needed to meet the provisions of any statutes, orders, rules or regulations of a Governmental Authority will be so burdensome as to have a Material Adverse Effect.

(o) Financial Statements. The Consolidated balance sheets of Urban and its Consolidated Subsidiaries as of January 31, 2004 and the related statements of income and retained earnings and cash flows for the Fiscal Years then ended, copies of which have been furnished to the Lenders, are complete and correct and fairly present the assets, liabilities and financial position of the Borrowers, their Subsidiaries and the Guarantors as at such dates, and the results of the operations and changes of financial position for the periods then ended. All such financial statements, including without limitation the related schedules and notes thereto, have been prepared in accordance with GAAP. No Borrower, Subsidiary or Guarantor has any Debt, obligation or other unusual forward or long-term commitment which is not fairly reflected in the foregoing financial statements or in the notes thereto in accordance with GAAP.

(p) No Material Adverse Change. Since January 31, 2004, there has been no material adverse change in the properties, business, operations, prospects, or condition (financial or otherwise) of any Borrower, any Subsidiary or any Guarantor, and no event, including without limitation any material pending or threatened litigation, bankruptcy or other proceeding, has occurred or condition arisen that could reasonably be expected to have a Material Adverse Effect.

(q) Solvency. As of the Closing Date and after giving effect to each Extension of Credit made hereunder, each Borrower, each Subsidiary and each Guarantor will be Solvent.

(r) Titles to Properties. Each Borrower, each Subsidiary and each Guarantor has such title to the real property owned or leased by it as is necessary or desirable to the conduct of its business and valid and legal title to all of its personal property and assets, including without limitation those reflected on the balance sheets of Urban and its Consolidated Subsidiaries delivered pursuant to Section 6.1(o) hereof, except those which have been disposed of by any Borrower, any Subsidiary or any Guarantor subsequent to such date which dispositions have been in the ordinary course of business or as otherwise expressly permitted hereunder.

(s) Liens. None of the properties and assets of any Borrower, any Subsidiary or any Guarantor is subject to any Lien, except Liens permitted pursuant to Section 10.3 hereof. No financing statement under the Uniform Commercial Code of any state which names any Borrower, any Subsidiary, any Guarantor or any of their respective trade names or divisions as debtor and which has not been terminated, has been filed in any state or other jurisdiction, and no Borrower, Subsidiary or Guarantor has signed any such financing statement or any security agreement authorizing any secured party thereunder to file any such financing statement, except to perfect those Liens permitted by Section 10.3 hereof.

(t) Debt and Guaranty Obligations. A complete and correct listing of all Debt and Guaranty Obligations of each Borrower, each Subsidiary and each Guarantor as of January 31, 2004 appears at Note 10 (page F-20) of the audited financial statements included as part of Item 8 of the Form 10-K for the year ended January 31, 2004 filed with the Securities and Exchange Commission on April 15, 2004 ("**Note 10**"). There is no Debt and no Guaranty Obligations of any Borrower, any Subsidiary or any Guarantor other than those listed on Note 10 and Note 10 presents, in all material

respects, an accurate listing of the Debt and Guaranty Obligations of each Borrower, each Subsidiary and each Guarantor as of the Closing Date. Each Borrower, each Subsidiary and each Guarantor has performed and is in compliance with all of the terms of such Debt and Guaranty Obligations and all instruments and agreements relating thereto, and no default or event of default, or event or condition which with notice or lapse of time or both would constitute such a default or event of default on the part of any Borrower, any Subsidiary or any Guarantor exists with respect to any such Debt or Guaranty Obligation.

(u) Litigation. Except for matters existing on the Closing Date and set forth on Schedule 6.1(u) hereto and those as to which the insurer has not disclaimed liability coverage, there are no actions, suits or proceedings pending nor, to the knowledge of any Borrower, any Subsidiary or any Guarantor, threatened, against or in any other way relating adversely to or affecting any Borrower, any Subsidiary, any Guarantor or any of their respective properties in any court or before any arbitrator of any kind or before or by any Governmental Authority, which, either singly or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(v) Absence of Defaults. No event has occurred or is continuing which constitutes a Default or an Event of Default, or which constitutes, or which with the passage of time or giving of notice or both would constitute, a default or event of default by any Borrower, any Subsidiary or any Guarantor under any Material Contract or judgment, decree or order to which any Borrower, any Subsidiary or any Guarantor is a party or by which any Borrower, any Subsidiary, any Guarantor or any of their respective properties may be bound or which would require any Borrower, any Subsidiary or any Guarantor to make any payment thereunder prior to the scheduled maturity date therefor.

(w) Accuracy and Completeness of Information. All written information, reports and other papers and data produced by or on behalf of each Borrower, each Subsidiary and each Guarantor and furnished to the Lenders were, at the time the same were so furnished, complete and correct in all respects to the extent necessary to give the recipient a true and accurate knowledge of the subject matter. No document, including without limitation any financial statement, furnished or written statement made to the Lenders by any Borrower, any Subsidiary and any Guarantor in connection with the negotiation, preparation or execution of this Agreement or any of the Loan Documents contains or will contain any untrue statement of a fact material to the creditworthiness of any Borrower, any Subsidiary or any Guarantor or omits or will omit to state a fact necessary in order to make the statements contained therein not misleading. No Borrower is aware of any facts which it has not disclosed in writing to the Lenders having a Material Adverse Effect, or insofar as such Borrower can now foresee, could reasonably be expected to have a Material Adverse Effect.

(x) Fees and Commissions. No Borrower owes any fees or commissions of any kind, and no Borrower knows of any claim for any fees or commissions, in connection with the Borrowers' obtaining the Commitments or the Loans from the Lenders, except those provided herein.

(y) Public Utility Holding Company Act. No Borrower is a "public utility holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended (the "1935 Act"), nor does the execution, delivery and performance of this Agreement and the Note require any filing, authorization or consent under the 1935 Act.

(z) Foreign Assets Control Regulations, Etc. None of the requesting or borrowing of the Loans, the requesting or issuance, extension or renewal of any Letters of Credit or the use of the proceeds of any thereof will violate the Trading with the Enemy Act (50 U.S.C. §1 et seq., as amended) (the "Trading With the Enemy Act") or any of the foreign assets control regulations of the United States Treasury Department (31 C.F.R., Subtitle B, Chapter V, as amended) (the "Foreign Assets

Control Regulations”) or any enabling legislation or executive order relating thereto (which for the avoidance of doubt shall include, but shall not be limited to (a) Executive Order 13224 of September 21, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001) (the “Executive Order”) and (b) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56)). Furthermore, none of the Borrowers nor any of their Subsidiaries or other Affiliates (a) is or will become a “blocked person” as described in the Executive Order, the Trading with the Enemy Act or the Foreign Assets Control Regulations or (b) engages or will engage in any dealings or transactions, or be otherwise associated, with any such “blocked person.”

Section 6.2 Survival of Representations and Warranties, Etc. All representations and warranties set forth in this Article VI and all representations and warranties contained in any certificate, or any of the Loan Documents (including without limitation any such representation or warranty made in or in connection with any amendment thereto) shall constitute representations and warranties made under this Agreement. All representations and warranties made under this Agreement shall be made or deemed to be made at and as of the Closing Date, shall survive the Closing Date and shall not be waived by the execution and delivery of this Agreement, any investigation made by or on behalf of the Administrative Agent or the Lenders or any borrowing hereunder.

ARTICLE VII **FINANCIAL INFORMATION AND NOTICES**

Until all the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner set forth in Section 13.13 hereof, the Borrowers will furnish or cause to be furnished to the Administrative Agent and the Lenders at the Administrative Agent’s Office, or such other office as may be designated by the Administrative Agent and the Lenders from time to time:

Section 7.1 Financial Statements and Projections.

(a) [Intentionally Omitted]

(b) Quarterly Financial Statements. As soon as practicable and in any event within forty-five (45) days after the end of the first three (3) fiscal quarters of each Fiscal Year, an unaudited Consolidated balance sheet of Urban and its Consolidated Subsidiaries as of the close of such fiscal quarter and unaudited Consolidated statements of income, retained earnings and cash flows for the fiscal quarter then ended and that portion of the Fiscal Year then ended, including without limitation the notes thereto, all in reasonable detail setting forth in comparative form the corresponding figures for the preceding Fiscal Year and prepared by Urban in accordance with GAAP and, if applicable, containing disclosure of the effect on the financial position or results of operations of any change in the application of accounting principles and practices during the period, and certified by a Responsible Officer of Urban to present fairly in all material respects the financial condition of Urban and its Consolidated Subsidiaries as of their respective dates and the results of operations of Urban and its Consolidated Subsidiaries for the respective periods then ended, subject to normal year end adjustments.

(c) Annual Financial Statements. As soon as practicable and in any event within ninety (90) days after the end of each Fiscal Year, an audited Consolidated balance sheet of Urban and its Consolidated Subsidiaries as of the close of such Fiscal Year and audited Consolidated statements of income, retained earnings and cash flows for the Fiscal Year then ended, including without limitation the notes thereto, all in reasonable detail setting forth in comparative form the corresponding figures for the preceding Fiscal Year and examined by an independent certified public accounting firm acceptable to

the Administrative Agent in accordance with GAAP and, if applicable, containing disclosure of the effect on the financial position or results of operation of any change in the application of accounting principles and practices during the year, and accompanied by a report thereon by such certified public accountants that is not qualified with respect to scope limitations imposed by any Borrower, any Subsidiary or any Guarantor or with respect to accounting principles followed by any Borrower, any Subsidiary or any Guarantor not in accordance with GAAP.

(d) Annual Business Plan and Financial Projections. If the Borrowers submit a Termination Date Extension Request pursuant to Section 2.6 hereof, then as soon as practicable but not less than forty-five (45) days prior to the Termination Date, a business plan of Urban and its Consolidated Subsidiaries for the ensuing six (6) fiscal quarters, such plan to be prepared in accordance with GAAP and to include, on a quarterly basis, the following: a quarterly operating and capital budget, a projected income statement, statement of cash flows and balance sheet and a report containing management's discussion and analysis of such projections, accompanied by a certificate from a Responsible Officer of Urban to the effect that, to the best of such Responsible Officer's knowledge, such projections are good faith estimates of the financial condition and operations of Urban and its Consolidated Subsidiaries for such six (6) quarter period.

Section 7.2 Officer's Compliance Certificate. At each time financial statements are delivered pursuant to Section 7.1(b) or Section 7.1(c) hereof and at such other times as the Administrative Agent shall reasonably request, a certificate of the chief financial officer or the treasurer of Urban in the form of Exhibit E attached hereto (an "Officer's Compliance Certificate").

Section 7.3 Accountants' Certificate. At each time financial statements are delivered pursuant to Section 7.1(c) hereof, a certificate of the independent public accountants certifying such financial statements addressed to the Administrative Agent:

(a) stating that in making the examination necessary to issue the report of independent public accountants of such financial statements, nothing came to their attention that caused them to believe that Urban and its Consolidated Subsidiaries were not in compliance with any of the terms, covenants, provisions or conditions of Article IX of the Agreement as they relate to accounting matters; and

(b) attaching the calculations prepared by Urban and its Consolidated Subsidiaries that were provided to the accountants in connection with Section 7.3(a) hereof.

Section 7.4 Other Reports.

(a) Promptly upon receipt thereof, copies of all Management Reports, if any, submitted to any Borrower, any Subsidiary or any Guarantor or to its respective board of directors by its independent public accountants in connection with their auditing function, and copies of any management responses thereto; and

(b) Such other information regarding the operations, business affairs and financial condition of any Borrower, any Subsidiary or any Guarantor as the Administrative Agent may reasonably request.

Section 7.5 Notice of Litigation and Other Matters. Prompt (but in no event later than ten (10) Business Days after an officer of any Borrower or any Subsidiary obtains knowledge thereof) telephonic and written notice of:

(a) the commencement of all proceedings and investigations by or before any Governmental Authority and all actions and proceedings in any court or before any arbitrator against or involving any Borrower or any Subsidiary or any of their respective properties, assets or businesses, which in any such case could reasonably be expected to have a Material Adverse Effect;

(b) any notice of any violation received by any Borrower or any Subsidiary from any Governmental Authority including without limitation any notice of violation of Environmental Laws, which in any such case could reasonably be expected to have a Material Adverse Effect;

(c) any labor controversy that has resulted in, or threatens to result in, a strike or other work action against any Borrower or any Subsidiary, which in any such case could reasonably be expected to have a Material Adverse Effect;

(d) any attachment, judgment, levy or order exceeding \$1,000,000 (in any such case, which is not covered by insurance, or as to which the insurer has disclaimed insurance coverage, or which is not stayed or bonded) that may be assessed against any Borrower or any Subsidiary;

(e) any Default or Event of Default, or any event which constitutes or which with the passage of time or giving of notice or both would constitute a default or event of default under any Material Contract to which any Borrower or any Subsidiary is a party or by which any Borrower or any Subsidiary or any of their respective properties may be bound;

(f) (i) any unfavorable determination letter from the Internal Revenue Service regarding the qualification of an Employee Benefit Plan under Section 401(a) of the Code (along with a copy thereof), (ii) all notices received by any Borrower, any Subsidiary or any ERISA Affiliate of the PBGC's intent to terminate any Pension Plan or to have a trustee appointed to administer any Pension Plan, (iii) all notices received by any Borrower, any Subsidiary or any ERISA Affiliate from a Multiemployer Plan sponsor concerning the imposition or amount of withdrawal liability pursuant to Section 4202 of ERISA and (iv) any Borrower obtaining knowledge or reason to know that any Borrower, any Subsidiary or any ERISA Affiliate has filed or intends to file a notice of intent to terminate any Pension Plan under a distress termination within the meaning of Section 4041(c) of ERISA; and

(g) any event which makes any of the representations set forth in Section 6.1 hereof inaccurate in any material respect.

Section 7.6 Accuracy of Information. All written information, reports, statements and other papers and data furnished by or on behalf of any Borrower, any Subsidiary or any Guarantor to the Administrative Agent (other than financial forecasts), whether pursuant to this Article VII, any other provision of this Agreement or the Guaranty Agreement, shall be, at the time the same is so furnished, complete and correct in all material respects to the extent necessary to give the Lenders complete, true and accurate knowledge of the subject matter based on the Borrowers' knowledge thereof.

ARTICLE VIII AFFIRMATIVE COVENANTS

Until all of the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner provided for in Section 13.13 hereof, each Borrower will, and will cause each Subsidiary and each Guarantor to:

Section 8.1 Preservation of Corporate Existence and Related Matters. Except as permitted by Section 10.5 hereof, preserve and maintain its separate corporate existence and all rights,

franchises, licenses and privileges necessary to the conduct of its business, and qualify and remain qualified as a foreign corporation and authorized to do business in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect.

Section 8.2 Maintenance of Property. Protect and preserve all properties useful in and material to its business, including without limitation copyrights, patents, trade names and trademarks; maintain in good working order and condition all buildings, equipment and other tangible real and personal property; and from time to time make or cause to be made all renewals, replacements and additions to such property necessary for the conduct of its business, so that the business carried on in connection therewith may be properly and advantageously conducted at all times.

Section 8.3 Insurance. Maintain insurance with financially sound and reputable insurance companies against such risks and in such amounts as are customarily maintained by similar businesses and as may be required by Applicable Law, and on the Closing Date and from time to time thereafter deliver to the Administrative Agent upon its request a detailed list of the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, the dates of the expiration thereof and the properties and risks covered thereby.

Section 8.4 Accounting Methods and Financial Records. Maintain a system of accounting, and keep such books, records and accounts (which shall be true and complete in all material respects) as may be required or as may be necessary to permit the preparation of financial statements in accordance with GAAP and in compliance with the regulations of any Governmental Authority having jurisdiction over it or any of its properties.

Section 8.5 Payment and Performance of Obligations. Pay and perform all Obligations under this Agreement and the other Loan Documents, and pay or perform (a) all taxes, assessments and other governmental charges that may be levied or assessed upon it or any of its property, and (b) all other indebtedness, obligations and liabilities in accordance with customary trade practices; provided, that a Borrower or Subsidiary may contest any item described in clauses (a) or (b) of this Section 8.5 in good faith so long as adequate reserves are maintained with respect thereto in accordance with GAAP.

Section 8.6 Compliance With Laws and Approvals. Observe and remain in compliance with all Applicable Laws and maintain in full force and effect all Governmental Approvals, in each case applicable to the conduct of its business, except where the failure to do so would not have a Material Adverse Effect.

Section 8.7 Environmental Laws. In addition to and without limiting the generality of Section 8.6 hereof, (a) comply with, and ensure such compliance by all tenants and subtenants with all applicable Environmental Laws and obtain and comply with and maintain, and ensure that all tenants and subtenants obtain and comply with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws, (b) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws, and promptly comply with all lawful orders and directives of any Governmental Authority regarding Environmental Laws, and (c) defend, indemnify and hold harmless the Lenders, and their respective parents, Subsidiaries, Affiliates, employees, agents, officers and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature known or unknown, contingent or otherwise, arising out of, or in any way relating to the presence of Hazardous Materials, or the violation of, noncompliance with or liability under any Environmental Laws applicable to the operations of such Borrower or such Subsidiary, or any orders, requirements or demands of Governmental Authorities related thereto, including without limitation

reasonable attorney's and consultant's fees, investigation and laboratory fees, response costs, court costs and litigation expenses, except to the extent that any of the foregoing directly result from the gross negligence or willful misconduct of the party seeking indemnification therefor.

Section 8.8 Compliance with ERISA. In addition to and without limiting the generality of Section 8.6 hereof, (a) comply with all applicable provisions of ERISA and the regulations and published interpretations thereunder with respect to all Employee Benefit Plans, (b) not take any action or fail to take action the result of which could be a liability to the PBGC or to a Multiemployer Plan, (c) not participate in any prohibited transaction that could result in any civil penalty under ERISA or tax under the Code, (d) operate each Employee Benefit Plan in such a manner that will not incur any tax liability under Section 4980B of the Code or any liability to any qualified beneficiary as defined in Section 4980B of the Code and (e) furnish to the Administrative Agent upon the Administrative Agent's request such additional information about any Employee Benefit Plan as may be reasonably requested by the Administrative Agent.

Section 8.9 Compliance With Agreements. Comply with each term, condition and provision of all leases, agreements and other instruments entered into in the conduct of its business, except to the extent any failure to comply, either singly or in the aggregate, would not have a Material Adverse Effect; provided, that a Borrower or Subsidiary may: (a) contest any such lease, agreement or other instrument in good faith through applicable actions or proceedings so long as adequate reserves are maintained in accordance with GAAP; or (b) cancel any Material Contract so long as written notice thereof is provided to the Administrative Agent not more than twenty-five (25) Business Days thereafter.

Section 8.10 Conduct of Business. Engage only in businesses in substantially the same fields as the businesses conducted by the Borrowers and their Subsidiaries on the Closing Date and in lines of business reasonably related thereto.

Section 8.11 Visits and Inspections. Permit representatives of the Administrative Agent, from time to time, to visit and inspect its properties; inspect, audit and make extracts from its books, records and files, including without limitation management letters prepared by independent accountants; and discuss with its principal officers, and its independent accountants, its business, assets, liabilities, financial condition, results of operations and business prospects.

Section 8.12 Additional Guarantors. Within ten (10) days after any Subsidiary of any Borrower with at least \$20,000,000 of equity is created or acquired after the Closing Date, give notice thereof to the Administrative Agent of such creation or acquisition and whether such Subsidiary shall be formed under a jurisdiction outside of the United States, and cause to be executed and delivered to the Administrative Agent: (a) a duly executed Guaranty Agreement or supplement thereto, with such changes as the Administrative Agent may reasonably request, and (b) favorable legal opinions addressed to the Administrative Agent and the Lenders in form and substance satisfactory thereto with respect to such Guaranty Agreement and such other documents and closing certificates as may be requested by the Administrative Agent.

Section 8.13 Maintain Cash Collateral Account. On the Termination Date, establish and maintain with the Issuing Lender an account and deposit in such account cash collateral for Letters of Credit as required under Section 3.4(b) hereof.

Section 8.14 Subsequent Credit Terms.

(a) Notify the Administrative Agent in writing not less than ten (10) Business Days prior to its entering into any amendment or modification of any credit arrangement other

than any construction financing in connection with any Excluded Project (but excluding long-term or permanent financing in connection with the Corporate Headquarters and/or the Distribution Center), whether now in effect or hereafter incurred, pursuant to which any Borrower or any Subsidiary agrees to financial covenants or events of default which are more restrictive to such Borrower or Subsidiary than those contained in this Agreement. Upon entering into any such amendment or modification, and with respect to the covenants and events of default in this Agreement, the corresponding covenants, terms and conditions of this Agreement are and shall be deemed to be automatically and immediately amended to conform with and to include the applicable covenants, terms and/or conditions of such other agreement; provided, however, that the foregoing shall not be applicable to or be deemed to affect any provision of this Agreement to the extent that any amendment or modification is less restrictive than the corresponding provisions of this Agreement.

(b) Each Borrower and Subsidiary hereby agrees promptly to execute and deliver any and all such documents and instruments and to take all such further actions as Administrative Agent may, in its sole discretion, deem necessary or appropriate to effectuate the provisions of this Section 8.14.

Section 8.15 Opinions of Counsel to Non-U.S. Borrowers. Deliver to Administrative Agent, within 30 days of the Closing Date, favorable opinions of counsel to the Non-U.S. Borrowers addressed to the Administrative Agent and the Lenders with respect to such matters as the Lenders shall request.

Section 8.16 Further Assurances. Make, execute and deliver all such additional and further acts, things, deeds and instruments as the Administrative Agent may reasonably require to document and consummate the transactions contemplated hereby and to vest completely in and insure the Lenders their rights under this Agreement, the Notes, the Letters of Credit and the other Loan Documents.

Section 8.17 Bank Accounts. Use Wachovia as its primary provider of trade/import letter of credit services.

ARTICLE IX **FINANCIAL COVENANTS**

Until all of the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner set forth in Section 13.13 hereof, no Borrower or Subsidiary will:

Section 9.1 Fixed Charge Coverage Ratio. As of any fiscal quarter end, permit the Fixed Charge Coverage Ratio of Urban and its Consolidated Subsidiaries to be less than 1.3 to 1.0.

Section 9.2 Adjusted Debt to EBITDAR Ratio. As of any fiscal quarter end, permit the Adjusted Debt to EBITDAR Ratio of Urban and its Consolidated Subsidiaries to be more than 4.0 to 1.0.

ARTICLE X **NEGATIVE COVENANTS**

Until all of the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner set forth in Section 13.13 hereof, no Borrower has or will, and no Borrower will permit any Subsidiary to:

Section 10.1 Limitations on Debt. Create, incur, assume or suffer to exist any Debt except:

(a) the Obligations;

(b) Debt incurred in connection with a Hedging Agreement with a counterparty and upon terms and conditions (including without limitation interest rate) reasonably satisfactory to the Administrative Agent;

(c) Subordinated Debt;

(d) Debt existing on the Closing Date and not otherwise permitted under this Section 10.1 hereof, as set forth on Schedule 6.1(t) hereto and the renewal and refinancing (but not the increase at the aggregate principal amount thereof) thereof;

(e) purchase money Debt of the Borrowers and their Subsidiaries and Debt of the Borrowers and their Subsidiaries incurred in connection with Capitalized Leases in an aggregate principal amount not to exceed \$2,000,000 outstanding on any date of determination;

(f) Debt consisting of Guaranty Obligations permitted by Section 10.2 hereof;

(g) Debt of the Non-U.S. Borrowers to Borrowers under loans and advances permitted by Section 10.4(d);

(h) so long as no Event of Default has occurred and is continuing or would result therefrom, unsecured Debt of Borrowers and their Subsidiaries in an aggregate principal amount not to exceed \$500,000 at any time outstanding, provided that such Debt is not senior in right of payment to the payment of the Debt arising under this Agreement and the other Loan Documents; and

(i) Debt owing by an SPE in connection with the Excluded Projects, up to an aggregate principal amount not to exceed \$50,000,000;

provided, that no agreement or instrument with respect to Debt permitted to be incurred by this Section 10.1 shall restrict, limit or otherwise encumber (by covenant or otherwise) the ability of any Subsidiary of any Borrower to make any payment to any Borrower or any other Subsidiary (in the form of dividends, intercompany advances or otherwise) for the purpose of enabling the Borrowers to pay the Obligations.

Section 10.2 Limitations on Guaranty Obligations. Create, incur, assume or suffer to exist any Guaranty Obligations except:

(a) Guaranty Obligations in favor of the Lenders; and

(b) Guaranty Obligations of Urban for the benefit of any Subsidiary of Debt permitted by Section 10.1(a), Section 10.1(b), Section 10.1(c), Section 10.1(d), Section 10.1(e), Section 10.1(f) and Section 10.1(g) and Section 10.1(i) hereof.

Section 10.3 Limitations on Liens. Create, incur, assume or suffer to exist, any Lien on or with respect to any of its assets or properties (including without limitation shares of capital stock or other ownership interests or commercial tort claims), real or personal, whether now owned or hereafter acquired, except:

(a) Liens for taxes, assessments and other governmental charges or levies (excluding any Lien imposed pursuant to any of the provisions of ERISA or Environmental Laws) not yet due or as to which the period of grace (not to exceed thirty (30) days), if any, related thereto has not expired or which are being contested in good faith and by appropriate proceedings if adequate reserves are maintained to the extent required by GAAP;

(b) the claims of materialmen, mechanics, carriers, warehousemen, processors or landlords for labor, materials, supplies or rentals incurred in the ordinary course of business: (i) each of which, as to the underlying indebtedness thereof, is not overdue for a period of more than sixty (60) days; or (ii) which claims are being contested in good faith and by appropriate actions or proceedings or are stayed or bonded;

(c) Liens consisting of deposits or pledges made in the ordinary course of business in connection with, or to secure payment of, obligations under workers compensation, unemployment insurance or similar legislation or obligations under customer service contracts;

(d) Liens constituting encumbrances in the nature of zoning restrictions, easements and rights or restrictions of record on the use of real property, which in the aggregate are not substantial in amount and which do not, in any case, detract from the value of such property or impair the use thereof in the ordinary conduct of business;

(e) Liens of the Lenders;

(f) Liens not otherwise permitted by this Section 10.3 and in existence on the Closing Date and described on Schedule 10.3 hereto; and

(g) Liens securing Debt permitted under Section 10.1(e) or Section 10.1(i) hereof; provided that (i) such Liens shall be created substantially simultaneously with the acquisition of the related asset or in connection with the refinancing of Liens created substantially simultaneously, (ii) such Liens do not at any time encumber any property other than the property financed by such Debt, (iii) the amount of Debt secured thereby is not increased and (iv) the principal amount of Debt secured by any such Lien shall at no time exceed one hundred percent (100%) of the original purchase price of such property at the time it was acquired.

Section 10.4 Limitations on Loans, Advances, Investments and Acquisitions. Purchase, own, invest in or otherwise acquire, directly or indirectly, any capital stock, interests in any partnership or joint venture (including without limitation the creation or capitalization of any Subsidiary), evidence of Debt or other obligation or security, substantially all or a portion of the business or assets of any other Person or any other investment or interest whatsoever in any other Person, or make or permit to exist, directly or indirectly, any loans, advances or extensions of credit to, or any investment in cash or by delivery of property in, any Person except:

(a) investments not otherwise permitted by this Section 10.4 in Subsidiaries existing on the Closing Date and the other existing loans, advances and investments not otherwise permitted by this Section 10.4 described on Schedule 10.4(a) hereto;

(b) investments made in accordance with the Investment Policy and Guidelines attached hereto as Schedule 10.4(b) as in effect on the date hereof, which Investment Policy and Guidelines may be updated or amended by the Borrowers without the consent of Wachovia; provided, that such updates or amendments shall not become a part of this Credit Agreement without ten (10) days prior written notice to Wachovia;

(c) investments by any Borrower or any Subsidiary in the form of acquisitions of all or substantially all of the business or a line of business (whether by the acquisition of capital stock, assets or any combination thereof) of any other Person if such acquisition has been previously approved in writing by the Required Lenders;

(d) the making by any Borrower or any Guarantor of loans or advances to or investments in any Subsidiary, provided that such Subsidiary is joined as a Guarantor pursuant to Section 8.12 hereof, and provided, further, that: (i) the aggregate principal amount of intercompany loans to Non-U.S. Borrowers may not exceed the Non-U.S. Sublimit less: (A) the amount of L/C Obligations for Letters of Credit issued for the account of Non-U.S. Borrowers and (B) the aggregate principal amount of outstanding Loans borrowed by or on behalf of any Non-U.S. Borrower and (ii) intercompany loans and advances to Non-U.S. Borrowers from U.S. Borrowers together with investments by U.S. Borrowers in Non-U.S. Borrowers shall not exceed, in the aggregate, without duplication, \$50,000,000 at any time outstanding.

(e) the creation of accounts receivable in the ordinary course of business;

(f) the making of loans and advances to employees in the ordinary course of business, which loans and advances: (i) shall not exceed \$1,000,000 in the aggregate outstanding at any one time, (ii) shall not remain outstanding in excess of 366 days, and (iii) shall otherwise be in compliance with Section 10.9 hereof; and

(g) advances to any SPE which, in the aggregate, shall not exceed \$65,000,000 less the amount of any long-term or permanent financing obtained in connection with the Corporate Headquarters and/or the Distribution Center.

Section 10.5 Limitations on Mergers and Liquidation. Merge, consolidate or enter into any similar combination with any other Person or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution) except:

(a) any Wholly-Owned Subsidiary of any Borrower may merge with any other Wholly-Owned Subsidiary of any Borrower;

(b) any Wholly-Owned Subsidiary may merge into the Person such Wholly-Owned Subsidiary was formed to acquire in connection with an acquisition permitted by Section 10.4(c) hereof; and

(c) any Wholly-Owned Subsidiary of any Borrower may wind-up into any Borrower or any other Wholly-Owned Subsidiary of any Borrower.

Section 10.6 Limitations on Sale of Assets. Convey, sell, lease, assign, transfer or otherwise dispose of any of its property, business or assets (including without limitation the sale of any receivables and leasehold interests and any sale-leaseback or similar transaction), whether now owned or hereafter acquired except:

(a) the sale of inventory in the ordinary course of business;

(b) the sale of obsolete assets no longer used or usable in the business of any Borrower or any Subsidiary;

- (c) the transfer of assets to any Borrower or any Wholly-Owned Subsidiary of any Borrower pursuant to Section 10.5(c) hereof;
- (d) the transfer of assets to any Guarantor pursuant to Section 10.4(d) hereof; and
- (e) the sale or discount without recourse of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof.

Section 10.7 Limitations on Dividends and Distributions. Declare or pay any dividends upon any of its capital stock; purchase, redeem, retire or otherwise acquire, directly or indirectly, any shares of its capital stock, or make any distribution of cash, property or assets among the holders of shares of its capital stock, or make any change in its capital structure that could reasonably be expected to have a Material Adverse Effect; provided that:

- (a) any Borrower or any Subsidiary may pay dividends in shares of its own capital stock;
- (b) any Subsidiary may pay cash dividends to any Borrower; and

(c) with the approval of the board of directors of Urban, Urban may: (i) repurchase shares of its capital stock, provided that the Fixed Charge Coverage Ratio of Urban and its Consolidated Subsidiaries as of the most recently ended fiscal quarter is not less than 1.3 to 1.0, and that each such repurchase of shares of capital stock would not cause the Fixed Charge Coverage Ratio to be less than the minimum required to be maintained for the next succeeding fiscal quarter; and (ii) repurchase fractional shares of its capital stock in connection with any stock split or reverse stock split of Urban's capital stock, the purchase price (based on fair market value) of which does not exceed \$1,000,000 in the aggregate.

Section 10.8 Limitations on Exchange and Issuance of Capital Stock. Issue, sell or otherwise dispose of any class or series of capital stock that, by its terms or by the terms of any security into which it is convertible or exchangeable, is, or upon the happening of an event or passage of time would be, (a) convertible or exchangeable into Debt or (b) required to be redeemed or repurchased, including without limitation at the option of the holder, in whole or in part, or has, or upon the happening of an event or passage of time would have, a redemption or similar payment due.

Section 10.9 Transactions with Affiliates. Directly or indirectly: (a) make any loan or advance to, or purchase or assume any note or other obligation to or from, any of its officers, directors, shareholders or other Affiliates, or to or from any member of the immediate family of any of its officers, directors, shareholders or other Affiliates, or subcontract any operations to any of its Affiliates, or (b) enter into, or be a party to, any other transaction with any of its Affiliates, except pursuant to the reasonable requirements of its business and upon fair and reasonable terms that are fully disclosed to and approved in writing by the Administrative Agent prior to the consummation thereof and are no less favorable to it than it would obtain in a comparable arm's length transaction with a Person not its Affiliate; provided, however, that this Section 10.9 shall not be construed to prohibit or limit the terms of employee compensation provided in the ordinary course of business, including without limitation salaries and benefits, relocation packages and, subject to Section 10.4(f) hereof, loans and advances to employees.

Section 10.10 Certain Accounting Changes. Change its Fiscal Year end, or make any change in its accounting treatment and reporting practices except as required by GAAP.

Section 10.11 Amendments; Payments and Prepayments of Subordinated Debt. Amend or modify (or permit the modification or amendment of) any of the terms or provisions of any Subordinated Debt, or cancel or forgive, make any voluntary or optional payment or prepayment on, or redeem or acquire for value (including without limitation by way of depositing with any trustee with respect thereto money or securities before due for the purpose of paying when due) any Subordinated Debt.

Section 10.12 Restrictive Agreements. Enter into any Debt which contains any negative pledge on assets or any covenants more restrictive than the provisions of Articles VIII, IX and X hereof, or which restricts, limits or otherwise encumbers its ability to incur Liens on or with respect to any of its assets or properties other than the assets or properties securing such Debt.

Section 10.13 Capital Expenditures. Make Capital Expenditure Payments exceeding: (a) \$75,000,000 in the aggregate in the Fiscal Year ending January 31, 2005; (b) \$110,000,000 in the aggregate in the Fiscal Year ending January 31, 2006; and (c) \$90,000,000 in the aggregate in the Fiscal Year ending January 31, 2007.

ARTICLE XI

DEFAULT AND REMEDIES

Section 11.1 Events of Default. Each of the following shall constitute an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any Governmental Authority or otherwise:

(a) Default in Payment of Principal of Loans and Reimbursement Obligations. The Borrowers shall default in any payment of principal of any Loan, Note or Reimbursement Obligation when and as due (whether at maturity, by reason of acceleration or otherwise).

(b) Other Payment Default. The Borrowers shall default in the payment when and as due (whether at maturity, by reason of acceleration or otherwise) of interest on any Loan, Note or Reimbursement Obligation or the payment of any other Obligation, and such default shall continue unremedied for three (3) Business Days.

(c) Misrepresentation. Any representation or warranty made or deemed to be made by any Borrower or any Subsidiary under this Agreement, any Loan Document or any amendment hereto or thereto, shall at any time prove to have been incorrect or misleading in any material respect when made or deemed made.

(d) Default in Performance of Certain Covenants. Any Borrower shall default in the performance or observance of any covenant or agreement contained in Section 7.1, Section 7.2 or Section 7.5(e) or Article IX or Article X of this Agreement.

(e) Default in Performance of Other Covenants and Conditions. Any Borrower or any Subsidiary shall default in the performance or observance of any term, covenant, condition or agreement contained in this Agreement (other than as specifically provided for otherwise in this Section 11.1) or any other Loan Document and such default shall continue for a period of thirty (30) days after written notice thereof has been given to the Borrowers by the Administrative Agent.

(f) Hedging Agreement. Any termination payment shall be due by any Borrower under any Hedging Agreement and such amount is not paid by the due date thereof; provided,

however, that in the case of any Hedging Agreement with a counterparty other than Wachovia or any Lender, no Event of Default shall exist hereunder unless the termination payment exceeds \$5,000,000.

(g) Debt Cross-Default. Any Borrower or any Subsidiary shall (i) default in the payment of any Debt (other than (x) any Note or any Reimbursement Obligation, which occurrence is governed by Section 11.1(a), and (y) any non-recourse Debt permitted pursuant to Section 10.1(i) hereof so long as such Debt has not been guaranteed by any Borrower or Guarantor) the aggregate outstanding amount of which Debt is in excess of \$5,000,000 or any of such Debt in excess of \$5,000,000 shall be accelerated or demanded or declared due and payable, or (ii) default in the observance or performance of any other agreement or condition relating to any Debt (other than any Note or any Reimbursement Obligation) the aggregate outstanding amount of which Debt is in excess of \$5,000,000 or contained in any instrument or agreement evidencing, securing or relating thereto or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Debt (or a trustee or agent on behalf of such holder or holders) to cause, with the giving of notice if required, any such Debt to become due prior to its stated maturity (any applicable grace period having expired).

(h) Other Cross-Defaults. Any Borrower or any Subsidiary shall default in the payment when due, or in the performance or observance, of any material obligation or condition of any Material Contract unless, but only as long as, the existence of any such default is being contested by such Borrower or such Subsidiary in good faith by appropriate actions or proceedings and adequate reserves in respect thereof have been established on the books of such Borrower or such Subsidiary to the extent required by GAAP.

(i) Change in Control. A Change in Control shall have occurred.

(j) Voluntary Bankruptcy Proceeding. Any Borrower or any Subsidiary shall: (i) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect); (ii) file a petition seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition for adjustment of debts; (iii) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws; (iv) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of a substantial part of its property, domestic or foreign; (v) admit in writing its inability to pay its debts as they become due; (vi) make a general assignment for the benefit of creditors; or (vii) take any corporate action for the purpose of authorizing any of the foregoing.

(k) Involuntary Bankruptcy Proceeding. A case or other proceeding shall be commenced against any Borrower or any Subsidiary in any court of competent jurisdiction seeking: (i) relief under the federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or adjustment of debts; or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like for such Borrower or Subsidiary or for all or any substantial part of their respective assets, domestic or foreign, and such case or proceeding shall continue without dismissal or stay for a period of sixty (60) consecutive days, or an order granting the relief requested in such case or proceeding (including without limitation an order for relief under such federal bankruptcy laws) shall be entered.

(l) Termination Event. The occurrence of any of the following events: (i) any Borrower, any Subsidiary or any ERISA Affiliate fails to make full payment when due of all amounts which, under the provisions of any Pension Plan or Section 412 of the Code, such Borrower, Subsidiary or ERISA Affiliate is required to pay as contributions thereto; (ii) an accumulated funding deficiency in

excess of \$100,000 occurs or exists, whether or not waived, with respect to any Pension Plan, (iii) a Termination Event or (iv) any Borrower, any Subsidiary or any ERISA Affiliate as employers under one or more Multiemployer Plan makes a complete or partial withdrawal from any such Multiemployer Plan and the plan sponsor of such Multiemployer Plans notifies such withdrawing employer that such employer has incurred a withdrawal liability requiring payments in an amount exceeding \$100,000.

(m) Judgment. A judgment or order for the payment of money which causes the aggregate amount of all such judgments to exceed \$7,500,000 in any Fiscal Year shall be entered against any Borrower or any Subsidiary by any court and such judgment or order shall continue without discharge or stay for a period of thirty (30) days; provided, however, that any such judgment or order shall not constitute an Event of Default if bonded or if otherwise covered by insurance which shall have not been disclaimed by the insurer.

Section 11.2 Remedies. Upon the occurrence of an Event of Default, with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrowers:

(a) Acceleration; Termination of Facilities. Declare the principal of and interest on the Loans, the Notes and the Reimbursement Obligations at the time outstanding, and all other amounts owed to the Lenders and the Administrative Agent under this Agreement or any of the other Loan Documents (other than any Hedging Agreement) (including without limitation all L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) and all other Obligations (other than obligations owing under any Hedging Agreement), to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Agreement or the other Loan Documents to the contrary notwithstanding, and terminate the Aggregate Commitment and Commitments and any right of the Borrowers to request borrowings or Letters of Credit thereunder; provided, that upon the occurrence of an Event of Default specified in Section 11.1(j) or Section 11.1(k) hereof, the Aggregate Commitment and Commitments shall be automatically terminated and all Obligations (other than obligations owing under any Hedging Agreement) shall automatically become due and payable.

(b) Letters of Credit. With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to the preceding paragraph, require the Borrowers at such time to deposit in a cash collateral account opened by the Issuing Lender an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Issuing Lender to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay the other Obligations. After all such Letters of Credit shall have expired or been fully drawn upon, the Reimbursement Obligation shall have been satisfied and all other Obligations shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrowers.

(c) Rights of Collection. Exercise on behalf of the Lenders of all of their other rights and remedies under this Agreement, the other Loan Documents and Applicable Law, in order to satisfy all of the Borrowers' Obligations.

Section 11.3 Rights and Remedies Cumulative; Non-Waiver, etc. The enumeration of the rights and remedies of the Administrative Agent and the Lenders set forth in this Agreement is not intended to be exhaustive, and the exercise by the Administrative Agent and the Lenders of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative,

and shall be in addition to any other right or remedy given hereunder or under the Loan Documents or that may now or hereafter exist in law or in equity or by suit or otherwise. No delay or failure to take action on the part of the Administrative Agent or the Lenders in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude other or further exercise thereof or the exercise of any other right, power or privilege or shall be construed to be a waiver of any Event of Default. No course of dealing between the Borrowers, the Administrative Agent and the Lenders or their respective agents or employees shall be effective to change, modify or discharge any provision of this Agreement or any of the other Loan Documents or to constitute a waiver of any Event of Default.

ARTICLE XII
THE ADMINISTRATIVE AGENT

Section 12.1 Appointment. Each of the Lenders hereby irrevocably designates and appoints Wachovia as Administrative Agent of such Lender under this Agreement and the other Loan Documents for the term hereof, and each such Lender irrevocably authorizes Wachovia as Administrative Agent for such Lender, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and such other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement or such other Loan Documents, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein and therein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or the other Loan Documents or otherwise exist against the Administrative Agent. Any reference to the Administrative Agent in this Article XII shall be deemed to refer to the Administrative Agent solely in its capacity as Administrative Agent and not in its capacity as a Lender.

Section 12.2 Delegation of Duties. The Administrative Agent may execute any of its respective duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by the Administrative Agent with reasonable care.

Section 12.3 Exculpatory Provisions. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact, Subsidiaries or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or the other Loan Documents (except for actions occasioned solely by its or such Person's own gross negligence or willful misconduct), or (b) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Borrower or any Subsidiary or any officer thereof contained in this Agreement or the other Loan Documents or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or the other Loan Documents or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the other Loan Documents or for any failure of any Borrower to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement, or to inspect the properties, books or records of any.

Section 12.4 Reliance by the Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice,

consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including without limitation counsel to the Borrowers), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless such Note shall have been transferred in accordance with Section 13.10 hereof. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement and the other Loan Documents unless it shall first receive such advice or concurrence of the Required Lenders (or, when expressly required hereby or by the relevant other Loan Document, all the Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action except for its own gross negligence or willful misconduct. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the Notes in accordance with a request of the Required Lenders (or, when expressly required hereby, all the Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Notes.

Section 12.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless it has received notice from a Lender or the Borrowers referring to this Agreement, describing such Default or Event of Default and stating that such notice is a notice of default. In the event that the Administrative Agent receives such a notice, it shall promptly give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders, except to the extent that other provisions of this Agreement expressly require that any such action be taken or not be taken only with the consent and authorization or the request of the Lenders or Required Lenders, as applicable.

Section 12.6 Non-Reliance on the Administrative Agent and Other Lenders. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its respective officers, directors, employees, agents, attorneys-in-fact, Subsidiaries or Affiliates has made any representations or warranties to it and that no act by the Administrative Agent hereinafter taken, including without limitation any review of the affairs of the Borrowers, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrowers and made its own decision to make its Loans and issue or participate in Letters of Credit hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrowers. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder or by the other Loan Documents, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Borrowers which may come into the possession of the

Administrative Agent or any of its respective officers, directors, employees, agents, attorneys-in-fact, Subsidiaries or Affiliates.

Section 12.7 Indemnification. The Lenders agree to indemnify the Administrative Agent in its capacity as such and (to the extent not reimbursed by the Borrowers and without limiting the obligation of the Borrowers to do so), ratably according to the respective amounts of their Commitment Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including without limitation at any time following the payment of the Notes or any Reimbursement Obligation) be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or the other Loan Documents, or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the Administrative Agent's bad faith, gross negligence or willful misconduct. The agreements in this Section 12.7 shall survive the payment of the Notes, any Reimbursement Obligation and all other amounts payable hereunder and the termination of this Agreement.

Section 12.8 The Administrative Agent in Its Individual Capacity. The Administrative Agent and its respective Subsidiaries and Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrowers as though the Administrative Agent were not an Administrative Agent hereunder. With respect to any Loans made or renewed by it and any Note issued to it and with respect to any Letter of Credit issued by it or participated in by it, the Administrative Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

Section 12.9 Resignation of the Administrative Agent; Successor Administrative Agent. Subject to the appointment and acceptance of a successor as provided below, the Administrative Agent may resign at any time by giving notice thereof to the Lenders and the Borrowers. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent, which successor shall be an Eligible Assignee. If no successor Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the Administrative Agent's giving of notice of resignation, then the Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which successor shall have minimum capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 12.9 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

ARTICLE XIII
MISCELLANEOUS

Section 13.1 Notices.

(a) Method of Communication. Except as otherwise provided in this Agreement, all notices and communications hereunder shall be in writing, or by telephone subsequently

confirmed in writing. Any notice shall be effective if delivered by hand delivery or sent via telecopy, recognized overnight courier service or certified mail, return receipt requested, and shall be presumed to be received by a party hereto (i) on the date of delivery if delivered by hand or sent by telecopy, (ii) on the next Business Day if sent by recognized overnight courier service and (iii) on the third Business Day following the date sent by certified mail, return receipt requested. A telephonic notice to the Administrative Agent as understood by the Administrative Agent will be deemed to be the controlling and proper notice in the event of a discrepancy with or failure to receive a confirming written notice.

(b) Addresses for Notices. Notices to any party shall be sent to it at the following addresses, or any other address as to which all the other parties are notified in writing.

If to the Borrowers: Urban Outfitters, Inc.
1809 Walnut Street
Philadelphia, PA 19103-4997
Attention: President
Telephone No.: (215) 564-2313
Telecopy No.: (215) 568-1549

With copies to: Urban Outfitters, Inc.
1809 Walnut Street
Philadelphia, PA 19103-4997
Attention: General Counsel
Telephone No.: (215) 564-2313
Telecopy No.: (215) 568-1549

If to Wachovia: Wachovia Securities, Inc.
123 South Broad Street
14th Floor (PA1202)
Philadelphia, Pennsylvania 19109
Attention: Stephen T. Dorosh
Telephone: (267) 670-6577
Telecopy No.: (267) 670-6543

With copies to: Pepper Hamilton LLP
3000 Two Logan Square
18th and Arch Streets
Philadelphia, Pennsylvania 19107-2799
Attention: Lisa R. Jacobs, Esquire
Telephone No.: (215) 981-4701
Telecopy No.: (215) 981-4750

If to any Lender: To the Address set forth on Schedule 2 hereto

(c) Administrative Agent's Office. The Administrative Agent hereby designates its office located at the address set forth above, or any subsequent office which shall have been specified for such purpose by written notice to the Borrowers, as the Administrative Agent's Office referred to herein, to which payments due are to be made and at which Loans will be disbursed and Letters of Credit issued.

Section 13.2 Expenses; Indemnity. The Borrowers will: (a) pay all reasonable out-of-pocket expenses of the Administrative Agent in connection with (i) the preparation, execution and delivery of this Agreement and each other Loan Document, whenever the same shall be executed and delivered, including without limitation all out-of-pocket due diligence expenses and reasonable fees and disbursements of counsel for the Administrative Agent and (ii) the preparation, execution and delivery of any waiver, amendment or consent by the Administrative Agent relating to this Agreement or any other Loan Document, including without limitation reasonable fees and disbursements of counsel for the Administrative Agent; (b) pay all reasonable out-of-pocket expenses of the Administrative Agent and each Lender actually incurred in connection with the administration and enforcement of any rights and remedies of the Administrative Agent and each Lender under the Aggregate Commitment, including without limitation consulting with appraisers, accountants, engineers, attorneys and other Persons concerning the nature, scope or value of any right or remedy of the Administrative Agent or any Lender hereunder or under any other Loan Document or any factual matters in connection therewith, which expenses shall include without limitation the reasonable fees and disbursements of such Persons; and (c) defend, indemnify and hold harmless the Administrative Agent and any Lender and its parents, Subsidiaries, Affiliates, employees, agents, officers and directors, from and against any losses, penalties, fines, liabilities, settlements, damages, costs and expenses, suffered by any such Person in connection with any claim, investigation, litigation or other proceeding (whether or not the Administrative Agent or any Lender is a party thereto) and the prosecution and defense thereof, arising out of or in any way connected with the Agreement, any other Loan Document or the Loans, including without limitation reasonable attorney's and consultant's fees, except to the extent that any of the foregoing directly result from the gross negligence or willful misconduct of the party seeking indemnification therefor.

Section 13.3 Set-off. In addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights, upon and after the occurrence of any Event of Default and during the continuance thereof, the Lenders and any assignee or participant of a Lender in accordance with Section 13.10 hereof are hereby authorized by the Borrowers at any time or from time to time, without notice to the Borrowers or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, time or demand, including without limitation indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness at any time held or owing by the Lenders, or any such assignee or participant to or for the credit or the account of any Borrower against and on account of the Obligations irrespective of whether or not (a) the Lenders shall have made any demand under this Agreement or any of the other Loan Documents or (b) the Administrative Agent shall have declared any or all of the Obligations to be due and payable as permitted by Section 11.2 hereof and although such Obligations shall be contingent or unmatured.

Section 13.4 Governing Law. This Agreement, the Notes and the other Loan Documents, unless otherwise expressly set forth therein, shall be governed by, construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, without reference to the conflicts or choice of law principles thereof.

Section 13.5 Consent to Jurisdiction; Service of Process.

(a) Each Borrower hereby irrevocably consents to the personal jurisdiction of the state and federal courts located in Philadelphia County, Pennsylvania, in any action, claim or other proceeding arising out of any dispute in connection with this Agreement, the Notes and the other Loan Documents, any rights or obligations hereunder or thereunder, or the performance of such rights and obligations. Each Borrower hereby irrevocably appoints each and every officer of Urban as its attorney upon whom may be served any summons, complaint or other process or pleading in any action, claim or proceeding brought by the Administrative Agent or any Lender in connection with this Agreement, the

Notes or the other Loan Documents, any rights or obligations hereunder or thereunder, or the performance of such rights and obligations, on behalf of itself or its property, in the manner specified in Section 13.1 hereof, and irrevocably consents to the service of a summons and complaint in any action or proceeding brought by the Administrative Agent or any Lender by mailing copies thereof by registered or certified mail, posted paid, to the address specified for delivery of notices herein. Nothing in this Section 13.5 shall affect the right of the Lender to serve legal process in any other manner permitted by Applicable Law or affect the right Administrative Agent or any Lender to bring any action or proceeding against any Borrower or its properties any other jurisdictions.

(b) To the extent that any Borrower has or hereafter may acquire: (i) any immunity from jurisdiction of the state or federal courts located in Philadelphia County, Pennsylvania or from any legal process out of any such court (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, or (ii) any objection to the laying of the venue or of an inconvenient forum or any suit, action or proceeding brought in a state or federal court located in Philadelphia County, Pennsylvania under process served in accordance with this Agreement or any Loan Document, each Borrower hereby irrevocably waives such immunity or objection in respect of any suit, action or proceeding arising out of or relating to this Agreement, any other Loan Document or the rights and obligations of the parties hereunder.

Section 13.6 Waiver of Jury Trial; Preservation of Remedies.

(a) Jury Trial. THE ADMINISTRATIVE AGENT, EACH LENDER AND EACH BORROWER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY ACTION, CLAIM OR OTHER PROCEEDING ARISING OUT OF ANY DISPUTE, CLAIM OR CONTROVERSY IN CONNECTION WITH THIS AGREEMENT, THE NOTES, THE LETTERS OF CREDIT OR THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER, OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS.

(b) Preservation of Certain Remedies. The parties hereto and the other Loan Documents preserve, without diminution, certain remedies that such Persons may employ or exercise freely, either alone, in conjunction with or during a dispute, claim or controversy arising out of this Agreement, the Notes, the Letters of Credit or any other Loan Document. Each such Person shall have and hereby reserves the right to proceed in any court of proper jurisdiction or by self help to exercise or prosecute the following remedies: (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted in the Loan Documents or under applicable law or by judicial foreclosure and sale; (ii) all rights of self help including without limitation peaceful occupation of property and collection of rents, set off, and peaceful possession of property; (iii) obtaining provisional or ancillary remedies including without limitation injunctive relief, sequestration, garnishment, attachment, appointment of receiver and in filing an involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession of judgment.

Section 13.7 Reversal of Payments. To the extent the Borrowers make a payment or payments to the Administrative Agent for the ratable benefit of the Lenders or the Administrative Agent receives any payment or proceeds of the collateral which payments or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds repaid, the Obligations or part thereof intended to be satisfied shall be revived and continued in full force and effect as if such payment or proceeds had not been received by the Administrative Agent.

Section 13.8 Injunctive Relief; Punitive Damages.

(a) The Borrowers recognize that, in the event the Borrowers fail to perform, observe or discharge any of their obligations or liabilities under this Agreement, any remedy of law may prove to be inadequate relief to the Lenders. Therefore, the Borrowers agree that the Lenders, at the Lenders' option, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

(b) The Administrative Agent, Lenders and the Borrowers (on behalf of themselves and each Subsidiary) hereby agree that no such Person shall have a remedy of punitive or exemplary damages against any other party to a Loan Document and each such Person hereby waives any right or claim to punitive or exemplary damages that they may now have or may arise in the future in connection with any Dispute, whether such Dispute is resolved through arbitration or judicially.

(c) The parties agree that they shall not have a remedy of punitive or exemplary damages against any other party in any Dispute and hereby waive any right or claim to punitive or exemplary damages they have now or which may arise in the future in connection with any Dispute whether the Dispute is resolved by arbitration or judicially.

Section 13.9 Accounting Matters. All financial and accounting calculations, measurements and computations made for any purpose relating to this Agreement, including without limitation all computations utilized by any Borrower or any Subsidiary to determine compliance with any covenant contained herein, shall, except as otherwise expressly contemplated hereby or unless there is an express written direction by the Administrative Agent to the contrary agreed to by the Borrowers, be performed in accordance with GAAP as in effect on the Closing Date. In the event that changes in GAAP shall be mandated by the Financial Accounting Standards Board, or any similar accounting body of comparable standing, or shall be recommended by the Borrowers' certified public accountants, to the extent that such changes would modify such accounting terms or the interpretation or computation thereof, such changes shall be followed in defining such accounting terms only from and after the date the Borrowers and the Lenders shall have amended this Agreement to the extent necessary to reflect any such changes in the financial covenants and other terms and conditions of this Agreement.

Section 13.10 Successors and Assigns; Participations.

(a) Benefit of Agreement. This Agreement shall be binding upon and inure to the benefit of the Borrowers, the Administrative Agent and the Lenders, all future holders of the Notes, and their respective successors and assigns, except that the Borrowers shall not assign or transfer any of their rights or obligations under this Agreement or any other Loan Document without the prior written consent of each Lender.

(b) Assignments and Participations by the Lenders.

(i) Assignments by the Lenders. The Borrowers hereby acknowledge and agree that each Lender may at any time with the consent of the Borrowers (so long as no Default or Event of Default has occurred and is continuing) and the consent of the Administrative Agent, which consents shall not be unreasonably withheld, assign to one or more Eligible Assignees all or a portion of its interests, rights and obligations under this Agreement (including without limitation all or a portion of the Extensions of Credit at the time owing to it and the Notes held by it); provided that (A) each such assignment shall be of a constant, and not a varying percentage, of all such assigning Lender's rights and obligations under this Agreement; (B) if less than all of the assigning Lender's Commitment is to be assigned, the Commitment so assigned shall not be less than \$5,000,000; (C) the parties to each such

assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording, an assignment agreement (an "Assignment Agreement") in the form of Exhibit G hereto, together with any Note or Notes subject to such assignment; (D) such assignment shall not, without the consent of the Borrowers, require the Borrowers to file a registration statement with the Securities and Exchange Commission or apply to or qualify the Loans or any Note under the blue sky laws of any state; (E) the assigning Lender shall pay to the Administrative Agent an assignment fee of \$3,000 upon the execution by such Lender of the Assignment Agreement; provided that no such fee shall be payable upon any assignment by a Lender to an Affiliate thereof; (F) the assignee thereunder shall be a party to this Agreement and, to the extent provided in such Assignment Agreement, have the rights and obligations of a Lender hereunder; (G) the assigning Lender thereunder shall, to the extent provided in such Assignment Agreement, be released from its obligations under this Agreement; and (H) upon receipt of an Assignment Agreement from an assigning Lender and an Eligible Assignee, the Administrative Agent shall promptly deliver a copy of such Assignment Agreement to the Borrowers. Within five (5) Business Days after receipt of notice, the Borrowers shall execute and deliver to the Lender, in exchange for the Note or Notes to be surrendered in the manner set forth below, a new Note or Notes payable to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment Agreement and a new Note payable to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of the surrendered Note, shall be dated the effective date of such Assignment Agreement and shall otherwise be in substantially the form of the surrendered Note. Each surrendered Note shall be canceled and returned to the Borrowers concurrent with the Borrowers' delivery of the new Note or Notes.

(ii) Participations by the Lenders. The Borrowers hereby acknowledge and agree that each Lender may at any time grant participations in all or any portion the Commitment, the Loans, the Notes, the Extensions of Credit or of its right, title and interest therein or in or to this Agreement (collectively, "Participations") to any other lending office or to any other bank, lending institution or other entity which has the requisite sophistication to evaluate the merits and risks of investments in Participations ("Participants"); provided, however, that: (A) each such participation shall be in an amount not less than \$5,000,000; (B) all amounts payable by the Borrowers hereunder shall be determined as if Lenders had not granted such Participation; (C) such Lender's obligations under this Agreement (including without limitation its Commitment) shall remain unchanged; (D) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations; (E) such Lender shall remain the holder of the Notes held by it for purposes of this Agreement; (F) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (G) any agreement pursuant to which a Lender may grant a Participation (x) shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of Borrowers hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provisions of this Agreement, (y) such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver of this Agreement without the consent of the Participant if such modification, amendment or waiver would reduce the principal of or rate of interest on any Loan or postpone the date fixed for any payment of principal of or interest on any Loan, and (z) shall not relieve such Lender from its obligations, which shall remain absolute, to make Loans and to issue Letters of Credit hereunder.

(iii) Right to Assign to Federal Reserve Bank. Notwithstanding anything herein to the contrary, Lenders may pledge or grant a security interest in any Note, right to payment or other benefit hereunder to any Federal Reserve Bank without the consent or any party, without notice to any party, and without payment of any fees in accordance with Applicable Law.

Section 13.11 Disclosure of Information; Confidentiality. Lenders shall hold all non-public information with respect to the Borrowers obtained pursuant to the Loan Documents in accordance with their customary procedures for handling confidential information; provided, that the Administrative Agent and Lenders may disclose any such information: (a) to the extent such disclosure is required by law or requested by any regulatory authority, or (b) in any suit, action or proceeding for the purpose of the Administrative Agent or any Lender defending itself, reducing its liability, or protecting or exercising any of its claims, rights, remedies or interests under or in connection with any of the Loan Documents or any Hedging Agreement. Any Lender may, in connection with any assignment, proposed assignment, participation or proposed participation pursuant to Section 13.10 hereof, disclose to the assignee, participant, proposed assignee or proposed participant, any information relating to any Borrower, any Subsidiary or any Guarantor furnished to such Lender by or on behalf of the Borrowers, their Subsidiaries or the Guarantors; provided, that prior to any such disclosure, each such assignee, proposed assignee, participant or proposed participant shall agree with the Borrowers or such Lender to preserve the confidentiality of any confidential information relating to any Borrower, any Subsidiary or any Guarantor received from such Lender.

Section 13.12 Patriot Act Notice. To help fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For purposes of this section, account shall be understood to include loan accounts.

Section 13.13 Amendments, Waivers and Consents. Except as set forth below, any term, covenant, agreement or condition of this Agreement or any of the other Loan Documents (other than any Hedging Agreement, the terms and conditions of which may be amended, modified or waived by the parties thereto) may be amended or waived by the Lenders, and any consent given by the Lenders, if, but only if, such amendment, waiver or consent is in writing signed by the Required Lenders (or by the Administrative Agent with the consent of the Required Lenders) and delivered to the Administrative Agent and, in the case of an amendment, signed by the Borrowers; provided, that no amendment, waiver or consent shall: (a) increase the amount or extend the time of the obligation of the Lenders to make Loans or issue or participate in Letters of Credit (including without limitation pursuant to Section 3.7 hereof), (b) extend the originally scheduled time or times of payment of the principal of any Loan or Reimbursement Obligation or the time or times of payment of interest on any Loan or Reimbursement Obligation, (c) reduce the rate of interest or fees payable on any Loan or Reimbursement Obligation, (d) reduce the principal amount of any Loan or Reimbursement Obligation, (e) permit any subordination of the principal or interest on any Loan or Reimbursement Obligation, (f) permit any assignment (other than as specifically permitted or contemplated in this Agreement) of any of the Borrowers' rights and obligations hereunder, (g) release any Guarantor, (h) consent to a replacement bank or agree to reduce the Aggregate Commitment in connection with the replacement of a Defaulting Lender under Section 4.6(d) hereof or (i) amend the provisions of this Section 13.13 or the definition of Required Lenders, without the prior written consent of each Lender. In addition, no amendment, waiver or consent to the provisions of (a) Article XIII hereof shall be made without the written consent of the Administrative Agent and (b) Article III hereof without the written consent of the Issuing Lender.

Section 13.14 Agreement Controls. In the event there is a conflict or inconsistency between this Agreement and any other Loan Document, the terms of this Agreement shall control; provided, that any provision of the Guaranty Agreement which imposes additional burdens on any Borrower or any Subsidiary or further restricts the rights of any Borrower or any Subsidiary or gives the Administrative Agent or the Lenders additional rights shall not be deemed to be in conflict or inconsistent with this Agreement and shall be given full force and effect.

Section 13.15 Covenants Independent. The Borrowers expressly acknowledge and agree that each covenant contained in Article VIII, Article IX or Article X hereof shall be given independent effect. Accordingly, the Borrowers shall not engage in any transaction or other act otherwise permitted under any covenant contained in Article VIII, Article IX or Article X hereof if, before or after giving effect to such transaction or act, the Borrowers shall or would be in breach of any other covenant contained in Article VIII, Article IX or Article X hereof.

Section 13.16 Survival. Notwithstanding any termination of this Agreement, the indemnities to which the Administrative Agent and the Lenders are entitled under the provisions of this Article XIII and any other provision of this Agreement and the Loan Documents shall continue in full force and effect and shall protect the Administrative Agent and the Lenders against events arising after such termination as well as before.

Section 13.17 Counterparts. This Agreement may be executed in any number of counterparts, by facsimile and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and shall be binding upon all parties, their successors and assigns, and all of which taken together shall constitute one and the same agreement.

Section 13.18 Headings. Titles and captions of Articles, Sections and subsections in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement.

Section 13.19 Severability. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 13.20 Entirety. This Agreement together with the other Loan Documents represents the entire agreement of the parties hereto and thereto, and supersedes all prior agreements and understandings, oral and written, if any, including any commitment letters or correspondence relating to the Loan Documents or the transactions contemplated herein or therein, except those obligations which survive under the commitment letter between the Borrowers and the Administrative Agent dated March 30, 2001.

Section 13.21 Termination. This Agreement shall remain in effect from the Closing Date through and including the date upon which all Obligations shall have been indefeasibly and irrevocably paid and satisfied in full. No termination of this Agreement shall affect the rights and obligations of the parties hereto arising prior to such termination.

Section 13.22 Payment of Borrowers' Obligations. The Borrowers' Obligations under this Agreement and each of the Loan Documents shall be performed by the Borrowers at their sole cost and expense.

Section 13.23 Powers of Attorney and Authorizations Irrevocable. All powers of attorney and other authorizations granted to the Administrative Agent, the Lenders and any Persons designated by the Administrative Agent or any Lender pursuant to any provisions of this Agreement or any of the other Loan Documents shall be deemed coupled with an interest and shall be irrevocable so long as any of the Obligations remain unpaid or unsatisfied or the Aggregate Commitment has not been terminated.

Section 13.24 Register. The Administrative Agent shall maintain a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders and the amount of the Extensions of Credit with respect to each Lender from time to time (the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrowers, the Administrative Agent and the Lenders may treat each person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrowers or Lenders at any reasonable time and from time to time upon reasonable prior notice.

Section 13.25 Judgment Currency.

(a) The Borrowers' obligations under this Agreement to make payments in Dollars (the "Obligation Currency") shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than the Obligation Currency, except to the extent that such tender or recovery results in the effective receipt by the Lenders of the full amount of the Obligation Currency expressed to be payable to the Lenders under this Agreement. If for the purpose of obtaining or enforcing judgment against any Borrowers in any court or in any jurisdiction, it becomes necessary to convert into or from any currency other than the Obligation Currency (such other currency being hereinafter referred to as the "Judgment Currency") an amount due in the Obligation Currency, the conversion shall be made at the rate of exchange (as quoted by the Administrative Agent or if the Administrative Agent does not quote a rate of exchange on such currency, by a known dealer in such currency designated by the Administrative Agent) determined, in each case, as of the day immediately preceding the day on which the judgment is given (such business day being hereinafter referred to as the "Judgment Currency Conversion Date").

(b) If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of actual payment of the amount due, the Borrowers covenant and agree to pay, or cause to be paid, such additional amounts, if any (but in any event not a lesser amount), as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial award at the rate of exchange prevailing on the Judgment Currency Conversion Date.

(c) For purposes of determining any rate of exchange for this Section 13.25, such amounts shall include any premium and costs payable in connection with the purchase of the Obligation Currency.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

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

Borrowers:

[CORPORATE SEAL]

URBAN OUTFITTERS, INC.,
as a Borrower

By: _____ /s/ Richard A. Hayne
Name: Richard A. Hayne
Title: President

[CORPORATE SEAL]

UO FENWICK, INC.,
as a Borrower

By: _____ /s/ David A. Hill
Name: David A. Hill
Title: Vice President

[CORPORATE SEAL]

INTER-URBAN, INC.,
as a Borrower

By: _____ /s/ David A. Hill
Name: David A. Hill
Title: Vice President

[CORPORATE SEAL]

URBAN OUTFITTERS (DELAWARE), INC.,
as a Borrower

By: _____ /s/ Glen A. Bodzy
Name: Glen A. Bodzy
Title: Secretary

[CORPORATE SEAL]

ANTHROPOLOGIE (DELAWARE), INC.,
as a Borrower

By: _____ /s/ Glen A. Bodzy
Name: Glen A. Bodzy
Title: Secretary

[Signatures Continued]

[CORPORATE SEAL]

URBAN OUTFITTERS UK LIMITED,
as a Borrower

By: _____ /s/ Richard A. Hayne
Name: Richard A. Hayne
Title: Director

By: _____ /s/ Glen A. Bodzy
Name: Glen A. Bodzy
Title: Director

[CORPORATE SEAL]

URBAN OUTFITTERS IRELAND LIMITED,
as a Borrower

By: _____ /s/ Richard A. Hayne
Name: Richard A. Hayne
Title: Director

By: _____ /s/ Glen A. Bodzy
Name: Glen A. Bodzy
Title: Director

Lenders:

WACHOVIA BANK, NATIONAL ASSOCIATION
(f/k/a FIRST UNION NATIONAL BANK,
as a Lender, Issuing and as Administrative Agent

By: _____ /s/ Stephen T. Dorosh
Name: Stephen T. Dorosh
Title: Vice President

Schedule 1
Subsidiaries that are Borrowers

UO Fenwick, Inc., a Delaware corporation

Inter-Urban, Inc., a Delaware corporation

Urban Outfitters (Delaware), Inc., a Delaware corporation

Anthropologie (Delaware), Inc., a Delaware corporation

Urban Outfitters UK Limited, a corporation formed under the laws of England and Wales

Urban Outfitters Ireland Limited, a corporation formed under the laws of the Republic of Ireland

Schedule 2
Lenders and Commitments

<u>Lender</u>	<u>Commitment</u>
Wachovia Bank, National Association 123 South Broad Street, 14 th Floor (PA1202) Philadelphia, PA 19109 Attention: Stephen T. Dorosh, Vice President	\$ 35,000,000
Telephone No.: (215) 670-6577 Telecopy No.: (215) 670-6543	

Schedule 3
Guarantors

Anthropologie, Inc., a Pennsylvania corporation
Urban Outfitters Wholesale, Inc., a Pennsylvania corporation
Urban Outfitters Direct, LLC, a Pennsylvania limited liability company
Anthropologie Direct, LLC, a Pennsylvania limited liability company
U.O.D., Inc., a Delaware corporation
U.O.D. Secondary, Inc., a Delaware corporation
UOGC, Inc., a Florida corporation
Urban Outfitters West LLC, a California limited liability company
Free People LLC, a Delaware limited liability company
Freepeople.com LLC, a _____ limited liability company
Urban Outfitters Holdings LLC, a _____ limited liability company
Anthropologie Holdings LLC, a _____ limited liability company
Urbanoutfitters.com LP, a _____ limited partnership
Anthropologie.com LP, a _____ limited partnership

Schedule 4
Existing Letters of Credit

LC#

Amount

Beneficiary

Expiry
Date

S3-3

Schedule 5
Import Letter of Credit Pricing

A) Letter of Credit Fees for Urban Outfitters Inc. and affiliates:

No fees for Letter of Credit processing *

* Assumes all Letter of Credit processing is out of Wachovia Bank Hong Kong.

B) Letter of Credit Fees for Urban Outfitters Inc. Beneficiaries:

For Hong Kong Beneficiaries:

LC Advising Fee:	\$35**
Commission in lieu of exchange:	¼ % on first \$50,000, 1/8% on balance
Transit Commission:	Prime +1% for 10 days
Discrepancy fee:	\$65
Paying Bank Charge:	\$42.50
Courier fee:	\$35
Swift/Telex:	\$15 per page

** All dollar quoted charges are U.S. dollars

For non-Hong Kong Beneficiaries:

Discrepancy fee:	\$65
Paying Bank Charge:	\$42.50
Swift/Telex:	\$15 –per page
Handling Commission:	\$30

Wachovia Bank maintains the right to raise Beneficiary pricing by an amount of up to 5% in the aggregate during the term of this Agreement; provided, however, that in the event that the aggregate face amount of all import Letters of Credit issued under this Agreement during any fiscal year represents an increase of at least 20% over the aggregate face amount of all import Letters of Credit issued under this Agreement during the previous fiscal year, no such increase will be implemented for the next succeeding fiscal year.

**Certification Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Richard A. Hayne, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (1) the Form 10-Q of Urban Outfitters, Inc. (the "Company"), for the three and nine months ended October 31, 2004 (the "Form 10-Q"), fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and (2) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 10, 2004

By: /s/ RICHARD A. HAYNE

Richard A. Hayne
President (Principal Executive Officer)

**Certification Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, John Kyees, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (1) the Form 10-Q of Urban Outfitters, Inc. (the "Company"), for the three and nine months ended October 31, 2004 (the "Form 10-Q"), fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and (2) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 10, 2004

By: /s/ JOHN E. KYEES

**John E. Kyees
Chief Financial Officer**