

BUXTON HELMSLEY

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VIA U.S. REGISTERED MAIL & ELECTRONIC MAIL

October 10, 2023

Board of Directors – All Members
Fossil Group, Inc.
901 South Central Expressway
Dallas, TX 75080

Mr. Sunil Doshi
Chief Financial Officer
Fossil Group, Inc.
901 South Central Expressway
Dallas, TX 75080

Mr. Randy Hyne
Vice President, General Counsel and Secretary
Fossil Group, Inc.
901 South Central Expressway
Dallas, TX 75080
randyh@fossil.com

Re: October 6, 2023 Letter to BHG – Fossil Group Inc. (the “Company” or “Fossil”)

Dear Mr. Doshi and Fossil Board of Directors (the “Board”):

The Buxton Helmsley Group, Inc. (“BHG” or “we”) is in receipt of the Company’s letter dated October 6, 2023 (the “October 6 Letter”). We recognize that the Company has now begun attempting to provide answers to certain questions, though other supposed “answers” do not address the question asked, and appear to be a continued attempt to evade the question. For instance, certain questions were about the Company itself, but your answer related to public investors, not the Company. This is becoming a painstaking process, and we wish to resolve these questions with no more than one additional reply from the Company (it is entirely unnecessary). For that reason, we are going to, wherever possible, provide the below follow-up questions in a way that we expect can and should be responded with an unqualified “yes”/“no”. We do not wish to waste any more time (we are concerned that the entirety of the September 27, 2023 letter from the Company, and especially certain responses from the October 6 Letter, could be a continued effort to delay BHG’s ability to obtain the information it needs to decide whether any immediate action needs to be

taken). After the Company has provided (appropriate) response to the below follow-up questions, we will then be open to the proposed meeting with management.

With regard to the multiple times the Company states that – in order to answer our questions more fully – a confidentiality agreement would be required, we are not looking for any non-public information (it is not needed to answer the follow-up questions below in an acceptable way – we are not asking about anything apart from this Company and its leadership’s beliefs and positions on issues). We therefore do not see it as necessary to enter into a confidentiality agreement, given that it would inherently restrict our trading in the Company’s securities (again, we are continuing to accumulate passively, yet swiftly). We are also nearing the Company’s next quarterly report, which (we certainly hope) will provide details to aid BHG in deciding the required course of action (likely, provided the below follow-on questions are answered, holding the proposed meeting with management of the Company).

As stated before, while the Company’s responses in the October 6 Letter provided much more substance than the nonexistent substance in the Company’s September 27, 2023 letter, we do have a few follow-up questions that we need answered. We would not feel comfortable if the Company’s responses to these follow-up questions were provided verbally, and we know our fellow shareholders would understand our request for further written answers, especially in light of the Company’s previous evasiveness; not to mention, the continued evasiveness that we highlight below. Again, as you will see, we are requesting “yes” and “no” answers, where possible, to make this as clear as possible. **We request (and expect) a response to these few follow-up questions by October 16, 2023:**

1. You only noted (within your answer Item no. 1) that our quoted accounting policy applies to Property, Plant and Equipment (covered under GAAP ASC 360). That quoted accounting policy, however, also inherently applies to indefinite-lived assets (indefinite-lived intangible assets, etc.) covered under GAAP ASC 350. Impairment charges, required under *both* GAAP ASC 350 and 360, are the equivalent of the difference between the carrying value and fair value of the asset (as is further reinforced for obligation of disclosure under Regulation S-X). We, therefore, are not sure why the Company is only stating that accounting policy applies to Property, Plant and Equipment assets (covered under GAAP ASC 360). **Please affirm “Yes”, that the Company understands that quoted accounting policy applies beyond Property, Plant and Equipment assets, and is applicable to Company assets governed by the accounting standards of *both* GAAP ASC 350 & 360 (and, inherently, in certain other situations, such as asset categories like inventory, where the net realizable value of inventory is lower than the cost of the inventory, therefore requiring such a loss to be accrued, pursuant to GAAP ASC 330).**
2. Regarding the Company’s answer Item no. 2, we have no follow-up question at this time.
3. Regarding the Company’s answer Item no. 3, we have no follow-up question at this time.
4. Regarding the Company’s answer Item no. 4, you are apparently evading our question with an irrelevant response. Given the evading of the question, we hereby phrase this a couple of different ways, and expect the Company to respond with an unqualified “No” to each of these:
 - **Does the Company ever believe that the open market’s valuation of the Company’s capital structure interests are more accurate than what the Company’s leadership is certifying within its quarterly financial reporting filed with the Securities and Exchange Commission?**
 - **If the Company’s leadership is certifying a (for example) \$200mm margin of net asset (equity) value, after disclosure of asset value depreciation/losses (as is required by GAAP and Regulation S-X), would**

the Company ever resort to belief that the open market's valuation of capital structure interests was a more accurate indicator of actual value than what the Company's leadership is certifying within its SEC-filed financial reporting (in light of this leadership's far more intimate knowledge of all public and non-public information material to valuing this Company's capital structure, which the open market does *not* have access to)?

- In other words, would this Company's leadership ever abandon its certified financial statements, if the open market's valuation materially differs from it?

Rounding this out: **Please affirm ("Yes") that what is certified within the Company's Commission-filed financial statements are this leadership's best estimates of capital structure value, and that this leadership would have disclosed a different set of financials if they more so believed it to be true.** With respect to this item, we point out that Regulation S-X requires disclosure of all material information relevant to those public investors making educated transactions in the Company's securities (based on such disclosures). Thus, any "disclosure" similar to "actual results could differ from these estimates" (that is a direct quote from the Company's previous Form 10-Q filing) is *not* a "get out of jail free card" for making sudden confessions of materially different beliefs/estimates (which is what we are trying to clear up with this Item no. 4 here). Omitting materially differential beliefs (to entirely undermine what was already certified) is actionable fraud. If that ever happens at this Company, we will be your worst nightmare in the bankruptcy court (BHG exposed Mallinckrodt, and our legal/financial team is far more robust now than even then). **Your answer to the four questions in this numbered item should merely be three times "No" and one time "Yes" (in that order); we immediately take action if your answers differ.**

5. With regard to the Company's answer Item no. 5, we request that the Company fully explain why it cited "Note 9 – Fair Value Measurements" as being related to "material contingent liability risk". That note has everything to do with assets, and nothing to do with contingent liability risk. We are fully aware of what Level 1, Level 2, and Level 3 asset valuations are, and how they apply to each of the Company's asset categories. We expect that the Company will not abandon those Level 1, Level 2, and Level 3 asset valuations (and/or abandon the inputs used to derive those asset valuations), except in the event of a hypothetical liquidation. Assets should already be net of any accumulated depreciation (and calculation of that depreciation is directly derived by calculation of fair values via those Level 1, Level 2, and Level 3 valuation models). Therefore, any loss/impairment in asset value must have already been recognized and disclosed. Reorganization valuations are also governed by GAAP ASC 852-10-05-10, and are based on an orderly market. This leaves a hypothetical liquidation to be the only time at which such an orderly market would not exist, and therefore, the only point at which the Company could abandon its already-certified asset valuations (which are already supposed to be based on an orderly market, even prior to a hypothetical reorganization). **Please affirm ("Yes") that the Company understands its asset valuations have nothing to do with contingent liability risk. Please also affirm ("Yes") that the Company has already decided the most accurate valuation inputs known to this leadership for Level 1, Level 2, and Level 3 asset valuations, and that those valuation inputs would have no reason to differ in the event of a reorganization (those would be the same assets for a pre-reorganization entity to benefit from as they would be a post-reorganization entity), apart from the scenario**

where a hypothetical reorganization case was converted into a liquidation. Your answer to this question should, again, be an unqualified “Yes” and “Yes” (we will take immediate action, if not).

6. With regard to the Company’s answer Item no. 6, you are – again – apparently deliberately evading answering as to your obligations concerning asset valuations. We highlight GAAP ASC 852-10-30-1 already clearly and specifically highlights that the entry into a reorganization setting does not ordinarily affect the application of GAAP (i.e., a company was already required to record fair value losses, if it believed they existed and would wish to claim them):

“852-10-30-1: As explained in paragraph 852-10-45-1, entering a reorganization proceeding, although a significant event, **does not ordinarily affect or change the application of generally accepted accounting principles (GAAP) followed by the entity in the preparation of financial statements.**” (emphasis added)

The Company would already have been required to charge off all carrying values of assets in excess of the fair values of those assets, even before a hypothetical reorganization setting; if you knew of better valuation inputs pre-reorganization (for use as part of those Level 1, Level 2, and Level 3 asset valuation models), *then you were already required to use those inputs*. You, Mr. Doshi, state that “the Company has not performed an analysis of the potential value of assets in a reorganization under ASC 852”. That is very problematic, unless you mean that the value could only be higher than the GAAP net asset value, where – for instance – property, plant and equipment market value gains are not represented in the Company’s GAAP financials. There are only two sets of valuations in the setting of a hypothetical bankruptcy proceeding; reorganization and liquidation valuations; one valuation (a reorganization valuation) based on an orderly market for assets, pursuant to GAAP ASC 852-10-05-10, and another (a liquidation valuation) based on a disorderly liquidation. You (Mr. Doshi), have already attested that the Company has charged off any excess carrying values of assets on the books of the Company (values in excess of the fair value of those assets), as part of orderly market conditions. Those assets are the same assets that this Company would be conveying to a hypothetically reorganized entity, and the market for those assets would be as orderly pre-reorganization as it would post-reorganization. Therefore, there is no basis for a difference in the valuation of those assets, except in the event of a disorderly liquidation (once again, you have already chosen the Company’s most believed to be accurate inputs for Level 1, Level 2, and Level 3 asset valuations in an orderly market. Again, if the Company knew of better valuation inputs, *it should already have been using them*.

Please affirm “Yes” and “Yes”, that the Company understands:

- “Fresh-start accounting” under GAAP ASC 852 does not allow for (and is not a mechanism for) the Company to delay disclosure of asset value impairment/losses. In other words, the Company’s reorganization value should only be immaterially lower than what is certified in the Company’s Commission filings, or possibly higher than what is certified in Commission filings, in the instance where – for example – PP&E market value gains would not be accrued under GAAP; and
- The Company, on an ongoing basis, has already decided the most accurate inputs for Level 1, Level 2, and Level 3, asset valuations (and for the related valuation models), and that there would be no basis for those valuation inputs to be abandoned or changed in the event of a

reorganization (those are, again, the same assets that would be retained by a hypothetical post-reorganization entity, in the same orderly market).

Once again, your answers to this Item should be an unqualified “Yes” and “Yes”. We will take immediate action if you do not respond exactly as such. There is no reason you should not agree with those statements.

7. In response to Item no. 7, you appear to be, again, evading our questioning. We are asking you a financial-related question that is inherently non-GAAP, and we have already noted that. Non-GAAP financial metrics/statements/disclosures are inherently elective, but – where an honest leadership realizes such non-GAAP disclosures would be materially helpful for investors to have a truer view of a Company’s financials – such an honest leadership does/would provide such non-GAAP disclosures. We, therefore, already fully understand that the Company “does not require disclosure regarding whether the value of such assets is materially higher than the carrying amount”. Even though the Company is not required to make such disclosure, we ask the Company to do so, if the true, fair value of material appreciable PP&E assets is materially in excess of the value carried on the books of the Company (this does not require any response that would cross the bounds of Regulation FD). **Why would you not make any effort to estimate (just as you constantly are required to, through the already-mentioned Level 1, Level 2, and Level 3 asset valuations) and disclose the true, fair value of any material appreciable property, plant, and equipment assets (likely, real estate assets), if it would give a truer view of financial position of this Company to current and prospective investors (including potential lenders who could then see there is possibly more asset value to securely lend against)? Please fully explain. Do shareholders need to submit (and, if required, litigate) books and record requests related to the property, plant, and equipment assets of this Company in order to obtain such transparency as to possible “hidden” value (such books and records requests would certainly be more expensive than simply appraising the most material appreciable PP&E assets of this Company)?** The Company is fully aware of any appreciable assets of the Company (where “hidden” value may lie), but you are of the position that it is okay your current and prospective investors be left in the dark as to that knowledge? If the Company’s Property, Plant, and Equipment assets had a fair value materially higher than was allowed under GAAP financial reporting, then the Company would – again – surely also be viewed in a better light by the fixed income (and also equity) markets (both with regard to the Company’s present debt issues, and also with regard to prospective investors for possibly contemplated debt refinancings, etc.). Investors do not know the full truth of this Company’s financials until you disclose it, and it does not bode well when you appear to be possibly holding back positive facts about the circumstances of this Company’s financials, only because you claim you are under no obligation to disclose them. You need to really think about how your shareholders would view the Company’s answer and our reply here.
8. Regarding the Company’s answer to Item no. 8, BHG’s personal “experience with non-investment grade issuers using debt-to-capitalization ratios to unlock additional liquidity” is referred to. To be very blunt, *even Mallinckrodt plc.* was able to secure revolving credit facilities that provided for borrowing against ~85% of Mallinckrodt’s debt-to-capitalization ratio. They *also* were not an investment-grade issuer. They were able to obtain that borrowing power/facility, even despite Mallinckrodt’s asset base primarily consisting of *intangible* assets (that, after all, turned out to be certified at apparently fraudulent valuations, in violation of GAAP and Regulation S-X – even despite Deloitte’s “assurance”), versus this Company’s largely *tangible* asset base. **If**

this Company is reporting all asset value depreciation/losses (as is required by GAAP and Regulation S-X), then – for the appropriate interest rate – it is inconceivable that this Company would not have a lender willing to lend securely against such a tangible asset base). This Company’s asset base is far more tangible than Mallinckrodt, and therefore inherently much less risky to lend against (intangible assets inherently have a far less liquid and reliable market). There are numerous ways to structure such a proposed optimized credit facility, including with respect to managing interest rates. If you ask us to find you the right investment bankers, then we will assume we need to refresh the Board and that you are not up to the job. We will say, in light of the Company giving the answers that you have (and making it seem that you may be hiding positive circumstances of this Company, with your citations of GAAP not requiring you to disclose such positive circumstances), it is understandable why you might lack willing lenders, but that is only a leadership issue (not an issue as to the Company itself).

9. With regard to answer Item no. 9, we are going to wait to see if the Company actually begins taking material action with regard to this issue. We will say that if the Company repurchased an amount of its securities in the last days of the third quarter, then we expect the Company to – within its earnings release and on its investor call – highlight that it intends to *continue* repurchasing those securities at present levels. BHG is well aware the Company could have made a small amount of repurchases in those last days of quarter three (“lip service” to afford the liberty of saying you took “action” on our concerns), with no real intent to **continue thereafter**. Investors will not be as likely to sell those securities, when they merely know (from such a public statement via the Company’s earnings release, and on its quarterly earnings call) the Company could opportunistically be the counterparty to the trade at gross under-valuations of capital interests in the open market. Up until now, investors would be *shocked* if the Company was opportunistically repurchasing those securities at such gross under-valuations, and that is an abysmal level of investor confidence that we are going to give this leadership a very short period of time to fix. Shareholder value has been consistently destroyed (up until now) under this present leadership due to its apparent inability to instill investor confidence through not only a lack of words, but actions.
10. With regard to answer Item no. 10, we are – again – simply going to see if the Company actually begins materially taking action with regard to this issue. **In line with our previous numbered Item, if the Company repurchased an amount of its securities in the last days of the third quarter, then we expect the Company to – within its earnings release and on its investor call – highlight that it intends to continue materially repurchasing those securities. The Company also has the opportunity to disclose any material repurchasing progress in between quarterly financial disclosures, within Form 8-K filings (as a Regulation FD disclosure).**
11. We are well aware that the Company has no actual access to the minds of public market participants apart from insiders and the Company itself. We asked about what the Company thinks, in response to our question. **This question only requires mere formulated beliefs of the Company to answer: Why should public investors be confident enough to purchase the Company’s common stock (at less than the price of the Company’s estimated near-term operating margin optimization enhancements, with no credit toward forward earnings), when the Company apparently finds such a valuation apparently unappealing itself (and is failing to repurchase the Company’s stock on any level)?** Once again, the market capitalization of the Company’s common stock is now equivalent to (actually, lower than) the mere estimated operating margin optimization as a result of the Company’s recently-announced “Transform and Grow” initiative. This Board

and management need to start instilling investor confidence through actions, as you are failing to do so on any level; providing *zero* confidence through actions (and words). Again, take a look at the Company's stock price compared to this leadership's certified value; it is utterly deplorable.

12. With regard to answer Item no. 12, we are not talking about "any shareholders". We are asking about those prospective investors who, by far, most clearly understand this Company's financials and prospects; its directors and officers. This leadership can absolutely answer this question, and there is no violation of Regulation FD to answer: **Why, if this Company is disclosing the truth of its asset values (in compliance with GAAP and Regulation S-X) and financial condition, would this Company's Board and non-director insiders not – on any level at all (let alone, a material level) – be purchasing the Company's common stock, in light of the Company's common stock trading at a ~70% discount to net asset equity value? Does this Board not believe in this Company's balance sheet, and/or their ability to successfully direct this Company for the financial benefit of shareholders? Or, are they simply aware of concerning accounting philosophies of this leadership (that are the reason or the deficient and evasive responses thus far from Mr. Doshi)?** We, again, expect that, after the Company's insider trading "blackout" period (post-earnings release), this Board will immediately make *material* open market purchases of common stock to signify confidence to the public markets as to this Company's balance sheet and prospects (and this Board's ability to effectively lead this enterprise). If this Board is not confident enough itself to do so, then that will prove why you do not belong at the Board table, and why this Board needs to be sizably replaced by shareholders, and as soon as possible. We will not wait until the upcoming annual meeting to propose director replacements if the need for immediate change becomes so obvious.
13. Regarding the Company's answer Item no. 13, we have no follow-up question at this time.
14. With regard to Item no. 14, we have already given ideas which should be considered and explored. Merely mentioning to the public markets that the Company remains open to welcome such possible acquisition offers (and will not shun possibly unsolicited offers), in the midst of continued growth (but with such economic uncertainty, on a global level), would provide confidence to your investors. This Board has, to date, failed to make any such position clear (and provide any such assurance) to the public markets; that is certainly one reason as to why this Company's stock has sunk to ~30% of its certified net asset equity value (we cannot reiterate that point enough). BHG has already provided the Company with multiple ideas that would maximize value beyond the Company's current net asset value, in light of the strategic and cross-selling synergies of those propositions alone. **We expect the Board to timely act on our propositions, along with immediately, strategically enhancing the position of the Company's balance sheet. Once again, do not ask us to bring you potential bidders – you are the leaders of this Company and if you are not willing to even merely publicize openness to bids for this Company at an appropriate juncture, then you need to be replaced (you are then, very clearly, not up to the job).**

We also wish to quickly clear up: Mr. Doshi states that BHG "[has] demonstrated [its] unwillingness to speak or meet with us to discuss your questions". That statement is categorically false, and we would encourage the Company to stop making such false statements. Any such attempts to grapple control of this situation by means of false statements will not assist (and will harm) this Board if we are required to pursue removal/replacement of directors via the written consent of shareholders. BHG has been "speaking" with all addressed parties (in writing) since September 15, 2023, and it was the fault of no one but the Company and Mr. Doshi that this Board somehow thought it would build enough

trust to hold the proposed video conference with Mr. Doshi, by him sending the Company's "response" dated September 27, 2023 (containing no answers to BHG's questions, but claiming to have answered every one of them). Oral discussions are off-the-record, and therefore require a significant amount of trust. Again (as can easily be gleaned by our follow-up questions), some of BHG's initial questions (from nearly a month ago) are still being evaded, despite them not being complicated (again, certain of the Company's responses refer to entirely different subjects than BHG was even asking about). Given that we cannot believe the Company is so unable to comprehend our questions, we can only draw the conclusion that your irrelevant answers are intentional. Accordingly, the Company's proposed verbal conversation does not yet appear to be a trustworthy means for obtaining our requested answers. We look forward to holding the video conference call, after the above follow-on questions are answered in writing.

We will also clarify: Mr. Doshi stated he is "confused" by BHG's "allegations". BHG has not made any allegations regarding this Company's financials; we are conducting an inquiry (that our fellow shareholders would certainly appreciate) to ensure this Company is not engaging in, and does not have apparent propensity to engage in, shifty accounting or accounting fraud, as we have uncovered at past companies. Mr. Doshi also speaks to "inferences" by BHG. We have used past companies where we uncovered actionable misconduct as *examples* in our letters (for instance, why BHG places *zero* weight in the fact that the Company's financial statements are audited by Deloitte). We are, however, through the questioning here, seeking to ensure that the Company does not have apparent propensity to be engaging in such misconduct.

We, to reaffirm, expect the Company provide its responses to these follow-on questions by October 16, 2023 (particularly, given, that there are certain critical accounting-related questions which remain pending). We must otherwise assume the worst and take immediate action, as we have previously stated. None of these follow-up questions immediately require a confidentiality agreement with the Company; we are merely asking about the Company and its leadership's beliefs/positions on issues. We are open to a possible confidentiality agreement, after we have largely accumulated our position, and after we have some clarity from the Company's upcoming earnings release, quarterly report filing, and quarterly investor call.

Lastly, we reaffirm (ahead of the Company's upcoming quarterly report) that if the Company begins making any materially negative financial disclosures, only suddenly after BHG's questioning to ensure that this Company's leadership has been disclosing the truth of this Company's financial condition, that we will immediately begin to work toward sizably replacing this Board (through the written consent of shareholders), to assure that this Company is being properly governed. As we have said multiple times, we will not sit idle, and will move with force, if required – you can count on it.

For the avoidance of doubt, we have not yet spoken with any other Fossil security holders and, if we should see the need to, we will – of course – make all necessary regulatory filings.

Fossil Group, Inc., et. al.

October 10, 2023

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Very Truly Yours,

A handwritten signature in black ink, appearing to read 'AEP' followed by a stylized flourish.

Alexander E. Parker

Senior Managing Director

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