

G III APPAREL GROUP LTD /DE/
Form 10-K
April 16, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

- þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended January 31, 2009
- OR**
- o 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 0-18183
G-III APPAREL GROUP, LTD.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

41-1590959
(I.R.S. Employer Identification No.)

512 Seventh Avenue, New York, New York
(Address of principal executive offices)

10018
(Zip Code)

Registrant's telephone number, including area code:
(212) 403-0500

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

Title of Class	Name of Exchange on Which Registered
Common Stock, \$0.01 par value	Nasdaq Global Select Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

As of July 31, 2008, the aggregate market value of the registrant's voting stock held by non-affiliates of the registrant (based on the last sale price for such shares as quoted by the Nasdaq Global Select Market) was approximately \$211,797,417.

The number of outstanding shares of the registrant's Common Stock as of April 1, 2009 was 16,695,777.

Documents incorporated by reference: Certain portions of the registrant's definitive Proxy Statement relating to the registrant's Annual Meeting of Stockholders to be held on or about June 9, 2009, to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, are incorporated by reference into Part III of this Report.

ITEM 1. BUSINESS.

Unless the context otherwise requires, G-III, us, we and our refer to G-III Apparel Group, Ltd. and its subsidiaries. References to fiscal years refer to the year ended or ending on January 31 of that year. For example, our fiscal year ended January 31, 2009 is referred to as fiscal 2009. Our Internet address is www.g-iii.com.

This Annual Report on Form 10-K contains forward-looking statements based on expectations, estimates and projections as of the date of this filing. Actual results may differ materially from those expressed in forward-looking statements. See Item 7 of Part II- Management's Discussion and Analysis of Financial Condition and Results of Operations.

All share and per share information in this Annual Report has been adjusted to give retroactive effect to a three-for-two stock split of our Common Stock in March 2006.

Overview

G-III designs, manufactures and markets an extensive range of outerwear, sportswear and accessories, including coats, jackets and pants, as well as women's suits and dresses. We sell our products under licensed brands, our own proprietary brands and private retail labels. We provide high quality apparel under recognized brands to a cross section of leading retailers such as Macy's, Bloomingdale's, Nordstrom, JC Penney and Kohl's. The Company also operates 121 retail stores, of which 119 are outlet stores operated under the Wilsons Leather name. We distribute our products through a diverse mix and a large number of retailers at a variety of price points, as well as through our own retail stores.

We have expanded our portfolio of proprietary and licensed brands over the past 15 years through acquisitions and by entering into license agreements for new brands or for additional products under previously licensed brands. We have made five acquisitions since July 2005, which have helped to broaden our product offerings, expand our ability to serve different tiers of distribution and add a retail component to our business.

In July 2005, we acquired the business of Marvin Richards and the operating assets of Winlit Group, Ltd. As a result of the Marvin Richards acquisition, we added licenses for men's and women's outerwear under the Calvin Klein brand name and acquired Marvin Richards' own proprietary labels. As a result of acquiring Winlit's assets, we added licenses for men's and women's outerwear under the Guess? brand, women's outerwear under the Ellen Tracy brand and men's leather outerwear under the Tommy Hilfiger brand. We also acquired Winlit's own proprietary labels. In addition, we added significant management, merchandising, manufacturing and design expertise as a result of these two acquisitions.

In May 2007, we acquired the operating assets of Jessica Howard Ltd. Jessica Howard designs and markets moderate and better dresses, under the proprietary Jessica Howard and Eliza J brands, as well as under private label programs.

The acquired Jessica Howard dress operations expanded and complemented our dress business which began shipping under the Calvin Klein label for the Fall 2006 season. We believe that our expanded dress capabilities will assist us in seeking additional dress licenses. We added to our dress business in July 2007 when we expanded our license with Ellen Tracy to include dresses and in July 2008 when we entered into a new license agreement to design and distribute dresses under the Jessica Simpson label. We also intend to grow the existing Jessica Howard and Eliza J brands and expand private label programs to further develop our dress business.

In February 2008, we acquired Andrew Marc, a supplier of fine outerwear and handbags for both men and women to upscale specialty and department stores. As a result of this acquisition, we added Andrew Marc and Marc New York as additional company-owned brands and Levi's and Dockers as additional licensed brands. We believe that the Andrew Marc brand can be leveraged into a variety of new categories to become a meaningful lifestyle brand. During the past year, we entered into agreements to license the Andrew Marc and Marc New York brands for women's footwear and men's accessories.

In July 2008, we acquired certain assets of Wilsons The Leather Experts, which had been a national retailer of outerwear and accessories. The assets acquired included 116 retail outlet store leases, inventory, distribution center operations and the Wilsons name and other related trademarks and trade names.

Our acquisitions are part of our strategy to expand our product offerings and increase the portfolio of proprietary and licensed brands that we offer through different tiers of retail distribution. We believe that both Andrew Marc and the Wilsons retail outlet business leverage our core strength in outerwear and provide us with new avenues for growth. We also believe that these acquisitions complement our other licensed brands, G-III owned brands and private label programs.

We added the Dockers and Levi's licensed brands in February 2008 as a result of our acquisition of Andrew Marc. In July 2007, we expanded our women's outerwear license with Ellen Tracy to include dresses and suits. Dresses commenced deliveries for the Spring 2008 season and suits are planned to begin limited shipping for the Fall 2009 season. We also expanded our relationship with Calvin Klein by adding a license for women's performance wear in December 2007 and for women's better sportswear in August 2008. These licenses are in addition to our licenses for Calvin Klein women's outerwear, men's outerwear, dresses and women's suits. We began limited shipments of women's performance wear for the Spring 2008 season and expanded distribution for the Fall 2008 season. We began shipping women's better sportswear for the Spring 2009 season.

Selling products under well-known licensed brands is an important part of our strategy. We have licenses to produce branded fashion apparel, including under the Calvin Klein, Sean John, Kenneth Cole, Cole Haan, Guess?, Jones New York, Jessica Simpson, Nine West, Ellen Tracy, House of Deréon, Tommy Hilfiger, Levi's and Dockers brands. We also have sports licenses with the National Football League, National Basketball Association, Major League Baseball, National Hockey League, Touch by Alyssa Milano and over 100 U.S. colleges and universities.

We work with a diversified group of retailers, such as Macy's, JC Penney and Kohl's, in developing private label product lines. We also produce apparel under our own proprietary brands, including Andrew Marc, Marc New York, Marvin Richards, Jessica Howard, Eliza J, Black Rivet, Siena Studio, Tannery West, G-III by Carl Banks and Winlit.

We operate our business in three segments, licensed apparel, non-licensed apparel and retail operations. The licensed apparel segment includes sales of apparel brands licensed by us from third parties. The non-licensed apparel segment principally includes sales of apparel under our own brands and private label brands. The retail segment consists almost entirely of the Wilsons retail outlet stores we acquired in July 2008, now operating as AM Retail Group, Inc. We had an insignificant retail operation prior to the Wilsons acquisition. See Note N to our Consolidated Financial Statements for financial information with respect to these segments.

We are a Delaware corporation that was formed in 1989. We and our predecessors have conducted our business since 1974.

Competitive Strengths

We believe that our broad portfolio of high-profile brands combined with our extensive distribution relationships position us for growth. We intend to capitalize on the following competitive strengths in order to achieve our goal of creating an all-season diversified apparel company:

Broad portfolio of recognized brands. We have built a broad and deep portfolio of over 30 licensed and proprietary brands. We believe we are a licensee of choice for well-known brands that have built a loyal following of both fashion-conscious consumers and retailers who desire high quality, well designed apparel. We have selectively added the licensing rights to premier brands in women's, men's and sports categories catering to a wide range of customers. In an environment of rapidly changing consumer fashion trends, we benefit from a balanced mix of well-established and newer brands. In addition to our licensed brands, we own several successful proprietary brands, including Andrew Marc and Marc New York. Our experience in developing and acquiring licensed brands and proprietary labels, as well as our reputation for producing high quality, well-designed apparel, has led major department stores and retailers,

including Macy's, JC Penney and Kohl's to select us as a designer and manufacturer

for their private label programs. We currently market apparel under the following licensed and proprietary brand names:

Women s	Men s	Sports
<i>Licensed Brands</i>		
Calvin Klein	Calvin Klein	National Football League
ck Calvin Klein	ck Calvin Klein	Major League Baseball
Kenneth Cole NY	Kenneth Cole NY	National Basketball Association
Reaction Kenneth Cole	Reaction Kenneth Cole	National Hockey League
Sean John	Sean John	Touch by Alyssa Milano
Cole Haan	Cole Haan	Collegiate Licensing Company
Guess	Guess	Major League Soccer
Guess?	Guess?	
House of Deréon	Tommy Hilfiger	
Jones New York		
Jessica Simpson		
Nine West		
Ellen Tracy		
Company Ellen Tracy		
Levi s	Levi s	
Dockers	Dockers	
<i>Proprietary Brands</i>		
Andrew Marc	Andrew Marc	G-III Sports by Carl Banks
Marc New York	Marc New York	
G-III	G-III	
Black Rivet	Black Rivet	
Winlit	Winlit	
Marvin Richards		
Siena Studio		
Jessica Howard		
Eliza J		
Industrial Cotton		
Tannery West	Tannery West	

Diversified distribution base. We market our products at multiple price points and across multiple channels of distribution, allowing us to provide products to a broad range of consumers, while reducing our reliance on any one demographic segment, merchandise preference or distribution channel. Our products are sold to approximately 2,700 customers, including a cross section of leading retailers such as Macy s, Bloomingdale s, Nordstrom, JC Penney and Kohl s, and membership clubs such as Costco and Sam s Club. As a result of our broad distribution platform, we are a licensee and supplier of choice and can more easily adapt to changes in the retail environment. We believe our strong relationships with retailers have been established through many years of personal customer service and adherence to meeting or exceeding retailer expectations. Our Wilsons retail outlet stores provide an additional distribution network for our outerwear products.

Superior design, sourcing and quality control. Our in-house design and merchandising team of approximately 125 professionals designs substantially all of our licensed, proprietary and private label products. Our designers work closely with our licensors and private label customers to create designs and styles that represent the look they want.

We believe that our creative design team and our sourcing expertise give us an advantage in product development. We have a network of worldwide suppliers that allows us to negotiate competitive terms without relying on any single vendor. In addition, we employ a 45-person quality control team and a 34-person sourcing group in China to ensure the quality of our products. We believe we have developed a significant customer following

and positive reputation in the industry as a result of our design capabilities, sourcing expertise, on-time delivery and high standards of quality control.

Leadership position in the outerwear wholesale business. As one of the largest outerwear wholesalers, we are widely recognized within the apparel industry for our high-quality and well-designed products. We believe that our acquisition of Andrew Marc should reinforce our leadership position in the outerwear business. Our knowledge of the outerwear business and our industry-wide reputation provide us with an advantage when we are competing for outerwear licenses and private label business. Our expertise and reputation in designing, manufacturing and marketing outerwear have enabled us to build strong customer relationships and to expand into women's suits, dresses and other product categories.

Experienced management team. Our executive management team has extensive experience in the apparel industry. Morris Goldfarb, our Chief Executive Officer and son of our founder, has been with us for 35 years, Jeanette Nostra, our President, has been with us for over 25 years, and Wayne S. Miller, our Chief Operating Officer, has been with us for over ten years. In 2005, we added significant management, merchandising, manufacturing and design expertise as a result of our acquisition of the Marvin Richards and Winlit businesses. The principals of those businesses, Sammy Aaron and David Winn, each have more than 25 years experience in the apparel industry.

Growth Strategy

Our goal is to build an all-season diversified apparel company with a broad portfolio of brands that we offer in multiple channels of retail distribution through the following growth strategies:

Execute new initiatives. We are continually seeking opportunities to produce products for all seasons as we attempt to reduce our dependency on our third fiscal quarter for the majority of our net sales and substantially all of our net income. We have initiated the following diversification efforts:

We have continually expanded our relationship with Calvin Klein, which initially consisted of licenses for men's and women's outerwear. Since August 2005, we have added licenses for women's suits, dresses and women's performance wear. Most recently, in August 2008, we added a license with Calvin Klein for women's better sportswear.

Our acquisition of Andrew Marc in February 2008 added a strong proprietary brand to our portfolio. In addition to men's and women's outerwear, Andrew Marc sells handbags. We believe the Andrew Marc brand can be leveraged into a variety of new categories to become a meaningful lifestyle brand. During the past year, we entered into agreements to license the Andrew Marc and Marc New York brands for women's footwear and men's accessories.

Our acquisition of the Wilsons retail outlet business in July 2008 added a vertical retail component to our business. These outlet stores have provided an additional distribution network for our outerwear products.

Continue to grow our outerwear business. We have been a leader in the outerwear business for many years and believe there is significant growth potential for us in this category. Specifically, our Calvin Klein men's and women's outerwear businesses benefit from Calvin Klein's strong brand awareness and loyalty among consumers. In February 2008, our acquisition of Andrew Marc added two well known proprietary brands in the men's and women's outerwear market, as well as licenses for men's and women's outerwear under the Levi's and Dockers brands.

Extend our new product categories to additional brands. We have been able to leverage our expertise and experience in the outerwear business to expand our licenses to new product categories such as women's suits, dresses and

sportswear. Most recently, we added licenses for Calvin Klein women's performance wear and women's better sportswear. We will attempt to expand our distribution of products in these and other categories under licensed brands, our own brands and private label brands.

Seek attractive acquisitions. We plan to continue to pursue acquisitions of complementary product lines and businesses, which could include wholesale and retail opportunities. In July 2005, we acquired two businesses, Marvin Richards and Winlit, both of which added name-brand licenses, including Calvin Klein, Guess?, Ellen Tracy and Tommy Hilfiger, to our expanding brand portfolio. In addition, each of these companies has recognized proprietary labels and significant private label programs. In May 2007, we acquired the Jessica Howard dress and sportswear business. In

February 2008, we acquired Andrew Marc, which added to our portfolio two well-known proprietary brands, Andrew Marc and Marc New York, as well as licenses for the Levi's and Dockers brands. In July 2008, we acquired 116 Wilsons Leather retail outlet stores. These acquisitions have increased our portfolio of licensed and proprietary brands, allowed us to realize economies of scale and added a retail component to our business. We believe that our existing infrastructure and management depth will enable us to complete additional acquisitions in the apparel industry.

Products Development and Design

G-III designs, manufactures and markets women's and men's apparel at a wide range of retail sales prices. Our product offerings primarily include outerwear, women's suits and dresses, and sportswear, including coats, jackets, pants and skirts. We also market accessories including women's handbags and men's carrying cases. We sell products under licensed brands, our own brands and private retail labels.

G-III's licensed apparel consists of both men's and women's products. Our strategy is to seek licenses that will enable us to offer a range of products targeting different price points and different distribution channels.

G-III's proprietary branded apparel also consists of both men's and women's products. The *Andrew Marc* line of women's and men's luxury outerwear is sold to upscale department and specialty retail stores. The *Marc NY* line of women's and men's better priced outerwear is sold to upper tier stores. The *Black Rivet*, *Tannery West*, *Marvin Richards* and *Winlit* lines of women's apparel consist of moderately priced women's outerwear and sportswear. Products in our men's outerwear lines, primarily consisting of leather outerwear, are sold under the *G-III*, *Tannery West* and *Winlit* labels. *Siena Studio*, our bridge-priced lines of women's leather and textile apparel, primarily consist of jackets, skirts and related sportswear separates. The *Jessica Howard* label is a moderate price dress line that sells to department stores, specialty stores and catalogs. *Eliza J* is a better dress line that sells to better department and specialty stores.

We also work with a diversified group of retail chains, such as Macy's, Express, JC Penney and Kohl's, in developing product lines sold under their own proprietary private labels. We meet frequently with department and specialty chain store buyers who custom order products by color, fabric and style. These buyers may provide samples to us or may select styles already available in our showrooms. We believe we have established a reputation among these buyers for our ability to produce high quality product on a reliable, expeditious and cost-effective basis.

Our in-house designers are responsible for the design and look of our licensed and non-licensed products. We work closely with our licensors to create designs and styles for each of our licensed brands. Licensors generally must approve products to be sold under their brand names prior to production. We respond to style changes in the apparel industry by maintaining a continuous program of style, color, leather and fabric selection. In designing new products and styles, we attempt to incorporate current trends and consumer preferences. We seek to design products in response to trends in consumer preferences, rather than attempt to create new market trends and styles.

Our design personnel meet regularly with our sales and merchandising department, as well as with the design and merchandising staffs of our licensors, to review market trends, sales results and the popularity of our latest products. In addition, our representatives regularly attend trade and fashion shows and shop at fashion forward stores in the United States, Europe and the Far East. Our designers present sample items along with their evaluation of the styles expected to be in demand in the United States. We also seek input from selected customers with respect to product design. We believe that our sensitivity to the needs of retailers, coupled with the flexibility of our production capabilities and our continual monitoring of the retail market, enables us to modify designs and order specifications in a timely fashion.

Licensing

The sale of licensed products is a key element of our strategy and we have continually expanded our offerings of licensed products for the past fifteen years.

As a result of our acquisition of Andrew Marc in February 2008, we added licenses for Levi's and Dockers. During the past year, we also added a new license with Calvin Klein for women's better sportswear and entered into a new license agreement for Jessica Simpson dresses.

The following table sets forth, for each of our principal licenses, the date on which the current term ends and the date on which any potential renewal term ends:

License	Date Current Term Ends	Date Potential Renewal Term Ends
<i>Fashion Licenses</i>		
Calvin Klein (Men's outerwear)	December 31, 2010	December 31, 2015
Calvin Klein (Women's outerwear)	December 31, 2013	None
Calvin Klein (Women's dresses)	December 31, 2011	December 31, 2016
Calvin Klein (Women's suits)	December 31, 2011	None
Calvin Klein (Women's performance wear)	December 31, 2012	December 31, 2017
Calvin Klein (Women's better sportswear)	December 31, 2012	December 31, 2017
Cole Haan (Men's and women's outerwear)	January 31, 2010	January 31, 2012
Ellen Tracy/Company Ellen Tracy (Women's outerwear, dresses and suits)	December 31, 2010	December 31, 2012
Guess/Guess? (Men's and women's outerwear)	December 31, 2009	None
Jessica Simpson (Women's dresses)	January 31, 2013	January 31, 2017
Jones New York (Women's outerwear)	January 31, 2012	None
Kenneth Cole NY/Reaction Kenneth Cole (Men's and women's outerwear)	December 31, 2012	December 31, 2015
Nine West (Women's outerwear)	January 31, 2011	None
Sean John (Men's outerwear)	January 31, 2010	None
Sean John (Women's outerwear)	December 31, 2010	December 31, 2023
Tommy Hilfiger (Men's outerwear)	September 30, 2009	None
Levi's (Men's and women's outerwear)	December 31, 2010	December 31, 2013
Dockers (Men's and women's outerwear)	December 31, 2010	December 31, 2013
<i>Sports Licenses</i>		
Collegiate Licensing Company	March 31, 2010	None
Major League Baseball	October 31, 2010	None
National Basketball Association	September 30, 2009	None
National Football League	March 31, 2010	None

Under our license agreements, we are generally required to achieve minimum net sales of licensed products, pay guaranteed minimum royalties, make specified royalty and advertising payments (usually based on a percentage of net sales of licensed products), and receive prior approval of the licensor as to all design and other elements of a garment prior to production. If we do not satisfy any of these requirements or otherwise fail to meet our obligations under a license agreement, a licensor usually will have the right to terminate our license.

Our ability to renew the current term of a license agreement is usually subject to attaining minimum sales and/or royalty levels and to our compliance with all of the terms of the agreement. Other criteria may also impact our ability to renew a license. As a result, we cannot be sure that we will be able to renew a license agreement when it expires if we desire to do so. We believe that brand owners are looking to consolidate the number of licensees they engage to develop product and to choose licensees who have a successful track record of developing brands. We continue to seek other opportunities to enter into license agreements in order to expand our product offerings under well-known labels and broaden the markets that we serve.

Revenues from the sale of licensed products accounted for 60.5% of our net sales (68.0% of net sales of wholesale apparel) in fiscal 2009 compared to 70.3% of our net sales in fiscal 2008 and 63.0% of our net sales in fiscal 2007. For comparability purposes, we have included the percentage that sales of licensed apparel accounted for of our wholesale sales in fiscal 2009, consisting of sales in our licensed and non-licensed apparel segments, as we also had a retail segment in fiscal 2009 as a result of our acquisition of the Wilsons retail outlet business.

Retail Operations

In July 2008, we acquired certain assets of Wilsons The Leather Experts, which had been a national retailer of outerwear and accessories. The assets acquired included 116 retail outlet store leases, inventory, distribution center operations and the Wilsons name and other related trademarks and trade names. As of January 31, 2009, we operated 121 retail stores in 35 states, 119 of which are outlet stores operated under the name Wilsons Leather Outlets. Substantially all of our outlet stores are located in larger outlet centers and average approximately 3,900 total leased square feet.

Our outlet stores sell men's and women's outerwear and accessories. Outerwear sold in our stores includes products manufactured by us and by third parties, while accessories are sourced from third parties. Our Wilsons Leather Outlet stores offer clearance items and special outlet-only merchandise, as well as certain key in-season products for both men and women.

Merchandise for our stores is shipped directly from domestic merchandise vendors or overseas manufacturers to our retail outlet distribution center located in Brooklyn Park, Minnesota. Merchandise is shipped to our Brooklyn Park, Minnesota, distribution center to replenish stores as needed with key styles and to build inventory for the peak holiday selling season.

Manufacturing and Sourcing

G-III arranges for the production of products from independent manufacturers located primarily in China and, to a lesser extent, in Vietnam, India, Indonesia, Thailand, Sri Lanka, Taiwan, Central and South America and Eastern Europe. A small portion of our garments are manufactured in the United States.

We currently have representative offices in Qingdao and Hangzhou, China. These offices act as a liaison between us and manufacturers in China. At January 31, 2009, we had 58 employees in our Hangzhou office and 36 employees in our Qingdao office.

G-III's headquarters provides these liaison offices with production orders stating the quantity, quality, delivery time and types of garments to be produced. Liaison office personnel assist in the negotiation and placement of orders with manufacturers. In allocating production among independent suppliers, we consider a number of criteria, including, but not limited to, quality, availability of production capacity, pricing and ability to meet changing production requirements.

To facilitate better service for our customers and accommodate the volume of manufacturing in the Far East, we also have an office in Hong Kong. The Hong Kong office supports third party production of products on a commission-fee basis that we arrange as agent directly for some of our customers. We utilize our China and Hong Kong office employees to monitor production at each manufacturer's facility to ensure quality control, compliance with our specifications and timely delivery of finished garments to our distribution facilities and customers. At January 31, 2009, the Hong Kong office employed seven persons.

In connection with the foreign manufacture of our apparel, manufacturers purchase leather, wool and other fabrics under our direction. In addition, they purchase necessary submaterials (such as linings, zippers, buttons and trimmings) according to parameters specified by us. Prior to commencing the manufacture of garments, samples of raw materials or submaterials are sent to us for approval. We regularly inspect and supervise the manufacture of our products in order to ensure timely delivery, maintain quality control and monitor compliance with our manufacturing specifications. We also inspect finished apparel at the factory site.

The manufacture of the substantial majority of our apparel is performed manually. A pattern is used in cutting fabric to panels that are assembled in the factory. All submaterials are also added at this time. We inspect products throughout this process to insure that the design and quality specifications of the order are being maintained as the garment is assembled. After pressing, cleaning and final inspection, the garment is labeled and ready for shipment. A final random inspection by us occurs when the garments are packed for shipment.

We generally arrange for the production of apparel on a purchase order basis with completed garments manufactured to our design specifications. We assume the risk of loss predominantly on a Freight-On-Board (F.O.B.) basis when goods are delivered to a shipper and are insured against casualty losses arising during shipping.

As is customary in the apparel industry, we have not entered into any long-term contractual arrangements with any contractor or manufacturer. We believe that the production capacity of foreign manufacturers with which we have developed, or are developing, a relationship is adequate to meet our apparel production requirements for the foreseeable future. We believe that alternative foreign apparel manufacturers are readily available.

A majority of all finished goods manufactured for us is shipped to our New Jersey warehouse and distribution facilities or to designated third party facilities for final inspection and allocation, as well as reshipment to customers. The goods are delivered to our customers and us by independent shippers. We choose the form of shipment (principally ship, truck or air) based upon a customer's needs, cost and timing considerations.

Quotas, Customs and Import Restrictions

Our arrangements with textile manufacturers and suppliers are subject to requisite customs clearances for textile apparel and the imposition of export duties. United States Customs duties on our textile apparel presently range from duty free to 28%, depending upon the type of fabric used and how the garment is constructed. Quotas represent the right to export restricted amounts of certain categories of merchandise into a country or territory pursuant to a visa or a license. Countries in which our products are manufactured and sold may, from time to time, impose new duties, tariffs, surcharges or other import controls or restrictions or adjust prevailing duty or tariff levels. A significant majority of the products we are currently importing are not subject to quota restrictions. We continually monitor duty, tariff and other import restriction developments. We seek to minimize our potential exposure to import related risks through, among other measures, geographical diversification of manufacturing sources and shifts of production among countries and manufacturers.

Raw Materials

We purchase most products manufactured for us on a finished goods basis. We coordinate the sourcing of raw materials used in the production of our apparel, such as leather, wool and cotton, which are available from numerous sources. The leather apparel industry competes with manufacturers of other leather products for the supply of leather. Leather skins are a byproduct. Accordingly, raw material costs for leather products are impacted by changes in meat consumption worldwide, as well as by the popularity of leather products.

Marketing and Distribution

G-III's products are sold primarily to department, specialty and mass merchant retail stores in the United States. We sell to approximately 2,700 customers, ranging from national and regional chains to small specialty stores. We also distribute our products through our retail outlet stores.

Sales to our 10 largest customers accounted for 56.6% of our net sales in fiscal 2009 compared to 59.7% of our net sales in fiscal 2008 and 61.0% of our net sales in fiscal 2007. Sales to Macy's (formerly known as Federated Department Stores) accounted for an aggregate of 18.5% of our net sales in fiscal 2007, 18.9% of our net sales in fiscal 2008 and 15.4% of our net sales in fiscal 2009. Although the percentage of our net sales to Macy's decreased in fiscal 2009, the dollar amount of net sales to Macy's in fiscal 2009 increased compared to fiscal 2008. The loss of Macy's as a customer, or a significant reduction in purchases by Macy's, could have a material adverse effect on our results of operations.

Almost all of our sales are made in the United States. We also market our products in Canada, Europe and the Far East, which, on a combined basis, accounted for approximately 2% of our wholesale net sales in fiscal 2009.

G-III's products are sold primarily through a direct sales force consisting of 80 employees at January 31, 2009. Our principal executives are also actively involved in sales of our products. Some of our products are also sold by various retail buying offices and independent sales representatives located throughout the United States. Final authorization of all sales of product is solely through our New York showrooms, enabling our management to deal directly with, and be readily accessible to, major customers, as well as to more effectively control our selling operations.

Brand name products sold by us pursuant to a license agreement are promoted by institutional and product advertisements placed by the licensor. Our license agreements generally require us to pay the licensor a fee, based

on a percentage of net sales of licensed product, to pay for a portion of these advertising costs. We may also be required to spend a specified percentage of net sales of a licensed product on advertising placed by us.

We primarily rely on our reputation and relationships to generate business in our non-licensed segment. We believe we have developed a significant customer following and positive reputation in the industry as a result of, among other things, standards of quality control, on-time delivery, competitive pricing and the willingness and ability to assist customers in their merchandising of our products. In addition, we have, to a limited extent, advertised our own labels and engaged in cooperative advertising programs with retailers. We believe we have developed brand awareness of our own labels primarily through our reputation, consumer acceptance and the fashion press. During fiscal 2009, we implemented a direct advertising campaign in order to promote our acquired Andrew Marc brand.

Seasonality

Retail sales of outerwear apparel have traditionally been seasonal in nature. Sales of outerwear constitute a majority of our sales. In prior years, we have been dependent on our sales from July through November for the substantial majority of our net sales and net income. Although we sell our apparel products throughout the year, net sales in the months of July through November accounted for approximately 70% of our net sales in fiscal 2009, 75% of our net sales in fiscal 2008, and 81% of our net sales in fiscal 2007. Andrew Marc, which was acquired in February 2008, experiences similar seasonality to our other wholesale outerwear businesses. Our Wilsons retail outlet business, which we acquired in July 2008, is also highly seasonal, with the third and fourth quarters accounting for a significant majority of its sales and operating income. As a result, the second half of our fiscal year is expected to provide a disproportionate amount of our net sales and net income.

Order Book

A portion of our orders consists of short-term purchase orders from customers who place orders on an as-needed basis. Information relative to open purchase orders at any date may also be materially affected by, among other things, the timing of the initial showing of apparel to the trade, as well as by the timing of recording of orders and shipments. As a result, we do not believe that disclosure of the amount of our unfilled customer orders at any time is meaningful.

Competition

We have numerous competitors with respect to the sale of apparel, including distributors that import apparel from abroad and domestic retailers with established foreign manufacturing capabilities. Many of our competitors have greater financial and marketing resources and greater manufacturing capacity than we do. We also compete with vertically integrated apparel manufacturers that also own retail stores. The general availability of contract manufacturing capacity also allows ease of access by new market entrants. Our retail outlet business competes against a diverse group of retailers, including, among others, other outlet stores, department stores, specialty stores, warehouse clubs and e-commerce retailers. Sales of our products are affected by style, price, quality, brand reputation and general fashion trends.

Trademarks

We own the trademarks used in connection with our non-licensed apparel segment and act as licensee of certain trademarks owned by third parties that are used in connection with our licensed apparel. The principal brands that we license are summarized under the heading **Licensing** above. The following information summarizes the principal trademarks we own and use in connection with our non-licensed businesses.

Several trademarks owned by us have federal trademark protection through use and registrations issued by the U.S. Patent and Trademark Office, including *G-III*, *G-III Sports By Carl Banks & Design*, *J.L. Colebrook*, *Colebrook & Co.*, *Black Rivet*, *Black Rivet & Design [lower diamond]*, *Black Rivet & Design [upper diamond]*, *Black Rivet & Design [circles and diamond]*, *BR & Design*, *ColeB Co. (& Design)*, *Crafted Industrial Cotton*, *Diamondfit*, *Eliza J.*, *Jessica Howard*, *La Nouvelle Renaissance*, *LNR*, *LNR (Stylized)*, *Marvin Richards*, *Marvin Richards (& Design)*, *Marvin Richards (Stylized)*, *M R Apparel Group*, *Nine Rivets*, *NY 10018*, *Siena*, *Siena Studio*,

Sports 58 (& Design), Studio 512, Touch by Alyssa Milano, Willow Glenn, Winlit and Winlit (Stylized). We have applications to register several additional marks pending before the U.S. Patent and Trademark Office, including the trademarks we acquired from Andrew Marc.

We have trademark registration for *G-III* in Canada, the European Union, France and Mexico, for *Black Rivet* in Canada, for *BR (& Design)* in the European Union and Russia, for *J.L. Colebrook* in Canada, France, United Kingdom, Mexico and the European Union, for *J.L.C. (& Design)* and *JLC (& Design)* in Canada, and for *Marvin Richards, J.Percy Sport* and *J. Percy for Marvin Richards* in the United Kingdom. We also have applications to register several additional marks in Canada.

We acquired several trademarks and accompanying U.S. federal registrations, including *ANDREW MARC* and *MARC NEW YORK ANDREW MARC*, upon our acquisition of Andrew Marc. We have pending U.S. applications in the U.S. patent and trademark office for *ANDREW MARC, ANDREW MARC INTERACTIVE, ANDREW MARC NEW YORK, M ANDREW MARC, MARC NEW YORK and MARC NEW YORK ANDREW MARC*. We also acquired *ANDREW MARC* trademark registrations in the European Union and Japan. We have applications pending for *ANDREW MARC* and *MARC NEW YORK* in China, the European Union, Japan and Russia.

We acquired several trademarks and accompanying U.S. federal registrations in connection with our acquisition of the Wilsons retail outlet store business, including *B BENTLEY S TRAVELWARE, EL PORTAL, M JULIAN, MAXIMA (Stylized), PELLE STUDIO & Design, STREET LEGAL (& Design), TANNERY WEST, THE WALLET WORKS and TW TANNERY WEST*.

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

Employees

As of January 31, 2009, we had 1,245 full-time employees, of whom 168 worked in executive or administrative capacities, 325 worked in design, merchandising and sourcing, 319 worked in warehouse and distribution facilities, 80 worked in wholesale sales, and 353 worked in our retail outlet stores. Additionally, during our peak retail selling season from October through January, we employed approximately 47 additional seasonal employees in our Brooklyn Park, Minnesota distribution center and approximately 586 additional seasonal associates in our Wilsons retail outlet stores. We employ both union and non-union personnel and believe that our relations with our employees are good. We have not experienced any interruption of any of our operations due to a labor disagreement with our employees and do not believe any interruption will occur if the labor agreements referred to below are not renewed.

We are a party to agreements with two labor unions. One agreement covers approximately 173 of our full-time employees as of January 31, 2009 and is currently in effect through June 30, 2009. The other agreement covers approximately 14 full-time employees of our Andrew Marc division and is currently in effect through June 30, 2009.

Website Access to Reports

Our internet website is <http://www.g-iii.com>. We make available free of charge on our website (under the heading About G-III) our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information with respect to our executive officers.

Name	Age	Position
Morris Goldfarb	58	Chairman of the Board, Chief Executive Officer, Director
Sammy Aaron	49	Vice Chairman, President Marvin Richards Division, Director
Jeanette Nostra	57	President
Wayne S. Miller	51	Chief Operating Officer and Secretary
Neal S. Nackman	49	Chief Financial Officer and Treasurer
Deborah Gaertner	54	Group President G-III Women's Leather Fashions

Morris Goldfarb is our Chairman of the Board and Chief Executive Officer, as well as one of our directors. Until April 1997, Mr. Goldfarb also served as our President. Mr. Goldfarb has served as an executive officer of G-III and our predecessors since our formation in 1974. Mr. Goldfarb is also a director of Lakes Entertainment, Inc.

Sammy Aaron became our Vice Chairman and President of our Marvin Richards division, as well as one of our directors, after we acquired Marvin Richards in July 2005. Prior to joining G-III, Mr. Aaron served as the President of Marvin Richards from 1998 until July 2005.

Jeanette Nostra became our President in April 1997. In March 2008, Ms. Nostra added the role of President of our Andrew Marc division. She was our Executive Vice President from March 1992 until April 1997. Ms. Nostra's responsibilities for G-III include sales, marketing, merchandising, product development and public relations for selected licensed fashion brands. We have employed Ms. Nostra since 1981.

Wayne S. Miller has been our Chief Operating Officer since December 2003 and our Secretary since November 1998. He also served as our Chief Financial Officer from April 1998 until September 2005 and as our Treasurer from November 1998 until April 2006.

Neal S. Nackman has been our Chief Financial Officer since September 2005 and was elected Treasurer in April 2006. Mr. Nackman served as Vice President Finance from December 2003 until April 2006. Prior to joining G-III, Mr. Nackman was a financial consultant with Jefferson Wells International from January 2003 until December 2003. From May 2001 until October 2002, he was Senior Vice President Controller of Martha Stewart Living Omnimedia, Inc. From May 1999 until May 2001, he was Chief Financial Officer of Perry Ellis International Inc. From August 1995 until May 1999, he was the Vice-President Finance with Nautica Enterprises, Inc.

Deborah Gaertner became Group President-G-III Women's in March 2008. She had been Vice President Women's Division since March 1992. Ms. Gaertner is responsible for sales and marketing of certain of our women's apparel lines. She previously served as Vice President, Imports from June 1989 until March 1992, coordinating production and merchandising.

Carl Katz, one of our directors, and Jeanette Nostra are married to each other.

ITEM 1A. RISK FACTORS.

We believe that the occurrence of any one or some combination of the following factors could have a material adverse effect on our business, financial condition and results of operations.

Risk Factors Relating to Our Licensed and Non-Licensed Wholesale Apparel Business

The failure to maintain our license agreements could cause us to lose significant revenues and have a material adverse effect on our results of operations.

We are dependent on sales of licensed product for a substantial portion of our revenues. In fiscal 2009, revenues from the sale of licensed product accounted for 60.5% of our net sales (68.0% of net sales of wholesale apparel) compared to 70.3% of our net sales in fiscal 2008 and 63.0% of our net sales in fiscal 2007.

We are generally required to achieve specified minimum net sales, make specified royalty and advertising payments and receive prior approval of the licensor as to all design and other elements of a garment prior to production. License agreements also may restrict our ability to enter into other license agreements for competing products. If we do not satisfy any of these requirements, a licensor usually will have the right to terminate our license. Even if a licensor does not terminate our license, the failure to achieve net sales sufficient to cover our required minimum royalty payments could have a material adverse effect on our results of operations. If a license contains a renewal provision, there are usually minimum sales and other conditions that must be met in order to be able to renew a license. Even if we comply with all the terms of a license agreement, we cannot be sure that we will be able to renew an agreement when it expires even if we desire to do so. The failure to maintain our license agreements could cause us to lose significant revenue and have a material adverse effect on our results of operations.

Our success is dependent on the strategies and reputation of our licensors.

Our business strategy is to offer our products on a multiple brand, multiple channel and multiple price point basis. As a part of this strategy, we license the names and brands of numerous recognized companies, designers and celebrities. In entering into these license agreements, we plan our products to be targeted towards different market segments based on consumer demographics, design, suggested pricing and channel of distribution. If any of our licensors decides to reposition its products under the brands we license from them, introduce similar products under similar brand names or otherwise change the parameters of design, pricing, distribution, target market or competitive set, we could experience a significant downturn in that brand's business, adversely affecting our sales and profitability. We have six different license agreements relating to a variety of products sold under the Calvin Klein brand that is owned by Phillips-Van Heusen Corporation. Any change by Phillips-Van Heusen in the marketing of products sold under the Calvin Klein label, or any adverse change in our relationship with Phillips Van-Heusen, could have a material adverse affect on our results of operations. In addition, as licensed products may be personally associated with designers or celebrities, our sales of those products could be materially and adversely affected if any of those individuals' images, reputations or popularity were to be negatively impacted.

If we are unable to successfully translate market trends into attractive product offerings, our sales and profitability could suffer.

Our ability to successfully compete depends on a number of factors, including our ability to effectively anticipate, gauge and respond to changing consumer demands and tastes across multiple product lines and tiers of distribution. We are required to translate market trends into attractive product offerings and operate within substantial production and delivery constraints. We cannot be sure we will continue to be successful in this regard. We need to anticipate and

respond to changing trends quickly, efficiently and effectively in order to be successful.

Expansion of our product offerings involves significant costs and uncertainty and could adversely affect our results of operations.

An important part of our strategy is to expand the types of products we offer. During the past three years, we have added licenses for new lines of women's suits, dresses, performance wear and sportswear. In addition, we acquired a dress and sportswear manufacturer. We have limited prior experience designing, manufacturing and

marketing these types of products. We intend to continue to add additional product lines in the future. As is typical with new products, demand and market acceptance for any new products we introduce will be subject to uncertainty. Designing, producing and marketing new products require substantial expenditures. We cannot be certain that our efforts and expenditures will successfully generate sufficient sales or that sales that are generated will be sufficient to cover our expenditures. For example, in March 2006, we entered into a license for women's sportswear under the Sean John label. This license was mutually terminated in January 2008, resulting in a charge to earnings in the fourth quarter of fiscal 2008.

If our customers change their buying patterns, request additional allowances or develop their own private label brands, our sales to these customers could be materially adversely affected.

Our customers' buying patterns, as well as the need to provide additional allowances to vendors, could have a material adverse effect on our business, results of operations and financial condition. Customers' strategic initiatives, including developing their own private label brands and reducing the number of vendors they purchase from, could also impact our sales to these customers.

We have significant customer concentration, and the loss of one of our large customers could adversely affect our business.

Our 10 largest customers accounted for approximately 56.6% of our net sales in fiscal 2009 and 59.7% of our net sales in fiscal 2008, with our largest customer accounting for 15.4% of our net sales in fiscal 2009. Consolidation in the retail industry has increased the concentration of our sales to our largest customers. We do not have long-term contracts with any customers, and sales to customers generally occur on an order-by-order basis that may be subject to cancellation or rescheduling by the customer. A decision by our major customers to decrease the amount of merchandise purchased from us, to increase the use of their own private label brands or to change the manner of doing business with us could reduce our revenues and materially adversely affect our results of operations. The loss of any of our large customers, or the bankruptcy or serious financial difficulty of any of our large customers, could have a material adverse effect on us.

If we miscalculate the market for our products, we may end up with significant excess inventories for some products and missed opportunities for others.