

G III APPAREL GROUP LTD /DE/

Form 10-K

April 14, 2011

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

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended January 31, 2011**
- 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 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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark 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, 2010, 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 \$402,467,461.

The number of outstanding shares of the registrant's Common Stock as of April 8, 2011 was 19,730,589.

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 7, 2011, 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.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in this Form 10-K or incorporated by reference into this Form 10-K, in future filings by us with the Securities and Exchange Commission (the SEC), in our press releases and in oral statements made from time to time by us or on our behalf constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations and are indicated by words or phrases such as anticipate, estimate, expect, project, we believe, is or remains optimistic, currently forecasts and similar words or phrases and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from the future results, performance or achievements expressed in or implied by such forward-looking statements. Forward-looking statements also include representations of our expectations or beliefs concerning future events that involve risks and uncertainties, including:

our dependence on licensed product;

costs and uncertainties with respect to expansion of our product offerings;

customer concentration;

the impact of the current economic and credit environment on our customers, suppliers and vendors;

the impact of the downturn in the global economy on consumer purchases of products that we offer for sale;

the performance of our products within the prevailing retail environment;

customer acceptance of new products;

our ability to make strategic acquisitions;

possible disruption from acquisitions;

consolidation of our retail customers;

price, availability and quality of materials used in our products;

highly seasonal nature of our business;

dependence on existing management;

the effects of competition in the markets in which we operate;

risks of operating a retail business;

need for additional financing;

our ability to import products in a timely and cost effective manner;

our reliance on foreign manufacturers;

our intention to introduce new products or enter into new alliances;

our ability to continue to maintain our reputation; and

our ability to continue to improve profitability.

These forward-looking statements are based largely on our expectations and judgments and are subject to a number of risks and uncertainties, many of which are unforeseeable and beyond our control. A detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations is described in Part I of this Form 10-K under the heading of Risk Factors. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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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 Investor Relations) 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. No information contained on our website is intended to be included as part of, or incorporated by reference into, this Annual Report on Form 10-K. Information relating to our corporate governance, including our Code of Ethics and Committee charters, is available at our website under Investor Relations. Paper copies of these filings and corporate governance documents are available to stockholders free of charge by written request to Investor Relations, G-III Apparel Group, Ltd., 512 Seventh Avenue, New York, New York 10018. Documents filed with the SEC are also available on the SEC s website at www.sec.gov.

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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, 2011 is referred to as fiscal 2011.

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, women's sportswear and dresses, including coats, jackets, pants, women's suits and women's performance wear. 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, Lord & Taylor, The Bon-Ton Stores, Dillards, JC Penney and Kohl's.

As of January 31, 2011, we operated 132 retail stores, of which 130 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. During fiscal 2011, we formed a joint venture with The Camuto Group to open and operate footwear and accessory retail outlet stores under the name Vince Camuto. We expect to begin opening these stores in the first half of fiscal 2012 and to open approximately 10 Vince Camuto outlet stores in fiscal 2012.

We have expanded our portfolio of proprietary and licensed brands for more than 15 years through acquisitions and by entering into license agreements for new brands or for additional product categories.

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, Guess?, Kenneth Cole, Cole Haan, Tommy Hilfiger, Levi's, Dockers, Jessica Simpson, Sean John, Jones New York, Nine West and Ellen Tracy 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.

G-III sells outerwear and dresses under our own Andrew Marc, Marc New York and Marc Moto brands and has licensed these brands to select third parties in certain product categories. Our other owned brands include, among others, Jessica Howard, Eliza J, Black Rivet, G-III, G-III Sports by Carl Banks and Winlit. We also work with a diversified group of retailers, such as Macy's, JC Penney, Kohl's and Express in developing private label product lines.

We have made five acquisitions since July 2005 that have helped to broaden our product offerings, expand our ability to serve different tiers of distribution and add a retail component to our business. 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 our two most recent additions, Andrew Marc and the Wilsons retail outlet business, both of which were completed in fiscal 2009, 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 operate our business in three segments, wholesale licensed apparel, wholesale non-licensed apparel and retail operations. The wholesale licensed apparel segment includes sales of apparel brands licensed by us from third parties.

The wholesale non-licensed apparel segment principally includes sales of apparel under our own brands and private label brands. The retail operations segment consists almost entirely of our Wilsons retail outlet stores. See Note K 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.

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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, Marc New York and Marc Moto. 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, Kohl's and Express, to select us as a designer and manufacturer for their private label programs. We currently market apparel under, among others, the following licensed and proprietary brand names:

Women's**Men's****Sports***Licensed Brands*

Calvin Klein
 ck Calvin Klein
 Guess
 Guess?
 Kenneth Cole NY
 Reaction Kenneth Cole
 Cole Haan
 Sean John
 Levi's
 Jessica Simpson
 Jones New York
 Nine West
 Ellen Tracy

Calvin Klein
 ck Calvin Klein
 Guess
 Guess?
 Kenneth Cole NY
 Reaction Kenneth Cole
 Cole Haan
 Sean John
 Levi's
 Dockers
 Tommy Hilfiger

National Football League
 Major League Baseball
 National Basketball Association
 National Hockey League
 Touch by Alyssa Milano
 Collegiate Licensing Company
 Major League Soccer

Proprietary Brands

Andrew Marc
 Marc New York
 Jessica Howard
 Black Rivet
 G-III
 Eliza J
 Marvin Richards
 Siena Studio
 Winlit

Andrew Marc
 Marc New York
 Marc Moto
 Black Rivet
 G-III

G-III Sports by Carl Banks
 G-III for Her

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 2,600

customers, including a cross section of leading retailers such as Macy's, Bloomingdale's, Nordstrom, Lord & Taylor, The Bon-Ton Stores, Dillards, 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.

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Superior design, sourcing and quality control. Our in-house design and merchandising team 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 quality control team and a 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 reinforced 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 dresses, sportswear, suits, performance wear and other product categories.

Experienced management team. Our executive management team has extensive experience in the apparel industry. Morris Goldfarb, our Chief Executive Officer, has been with us for over 35 years. Sammy Aaron, our Vice Chairman who joined us in 2005 when we acquired Marvin Richards, has more than 25 years of experience in the apparel industry, Jeanette Nostra, our President, has been with us for 30 years, and Wayne S. Miller, our Chief Operating Officer, has been with us for over ten years.

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 diversification 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 a significant portion of our net sales and 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, women's performance wear and women's better sportswear. Most recently, in May 2010, we added two licenses with Calvin Klein, one for women's handbags and small leather goods and the other for better luggage.

Our acquisition of Andrew Marc added a strong proprietary brand of men's and women's outerwear to our portfolio. We believe the Andrew Marc brand can be leveraged into a variety of new categories to become a meaningful lifestyle brand. We expanded the Andrew Marc family of brands by creating Marc Moto, a denim lifestyle brand that complements our Andrew Marc and Marc New York brands. We have entered into agreements to license the Andrew Marc, Marc New York and Marc Moto brands to select third parties in certain product categories. We have also launched Marc New York and Andrew Marc dress lines.

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. Leveraging the capabilities of our Wilsons retail outlet business, in September 2010, we announced the formation of a joint venture that will own and operate footwear and accessory retail outlet stores under the name Vince Camuto. We expect to begin opening these stores in the first half of fiscal 2012 and to open

approximately 10 Vince Camuto outlet stores in fiscal 2012.

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. 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.

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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 dresses, sportswear and suits, women's performance wear and women's better sportswear. Most recently, we expanded our licenses with Calvin Klein beyond apparel categories to both include women's handbags and small leather goods and better luggage. 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 pursue acquisitions of complementary product lines and businesses. We continually review acquisition opportunities. In July 2005, we acquired two businesses, 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 had recognized proprietary labels and significant private label programs. In May 2007, we acquired the Jessica Howard and Eliza J dress 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 the Wilsons Leather retail outlet stores business. Our 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 sportswear and dresses, including coats, jackets, pants, women's suits and women's performance wear. We also market accessories including women's handbags and small leather goods, luggage 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 apparel is sold to upscale department and specialty retail stores. The *Marc New York* line of women's and men's better priced outerwear is sold to upper tier stores. The *Marc Moto* line is a men's denim lifestyle collection of sportswear and accessories. 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. The *Black Rivet* line of apparel consists of moderately priced women's and men's outerwear. We sell men's sports-related apparel under our *G-III Sports by Carl Banks* label.

We also work with a diversified group of retail chains, such as Macy's, JC Penney, Kohl's and Express, in developing product lines that are sold under their private label programs. 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

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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 more than fifteen years. During the past year, we entered into new license agreements for Calvin Klein women's handbags and small leather goods, for Calvin Klein better luggage and for Guess dresses. We also expanded our relationship with the National Football League with a new five-year license agreement that is effective April 1, 2012. This new license agreement provides us with exclusive rights to distribute outerwear to mass-market retailers and mid-tier department stores and with other rights to sell outerwear, sportswear and swimwear to better department stores, specialty stores, stadium stores and sporting good stores.

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, 2015	None
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
Calvin Klein (Better luggage)	December 31, 2015	December 31, 2020
Calvin Klein (Women's handbags and small leather goods)	December 31, 2015	December 31, 2020
Cole Haan (Men's and women's outerwear)	January 31, 2013	January 31, 2015
Ellen Tracy (Women's outerwear, dresses and suits and men's outerwear)	December 31, 2014	December 31, 2016
Guess/Guess? (Men's and women's outerwear)	December 31, 2013	None
Guess/Guess? (Women's dresses)	December 31, 2013	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, 2013	None
Sean John (Men's outerwear)	January 31, 2014	None
Sean John (Women's outerwear)	December 31, 2013	December 31, 2023
Sean John (Boy's outerwear)	December 31, 2012	December 31, 2018
Tommy Hilfiger (Men's outerwear)	March 31, 2013	March 31, 2016
Levi's (Men's and women's outerwear)	December 31, 2013	None
Dockers (Men's outerwear)	December 31, 2013	None
<i>Sports Licenses</i>		
Collegiate Licensing Company	March 31, 2013	None
Major League Baseball	October 31, 2013	None

National Basketball Association	September 30, 2012	None
National Football League (existing license)	March 31, 2012	None
National Football League (new license commencing 4/1/12)	March 31, 2017	None
National Hockey League	June 30, 2012	None

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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 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 67.6% of our net sales (74.6% of our net sales of wholesale apparel) in fiscal 2011 compared to 65.4% of our net sales (73.5% of our net sales of wholesale apparel) in fiscal 2010 and 60.5% of our net sales (68.0% of net sales of wholesale apparel) in fiscal 2009. For comparability purposes, we have included the percentage that sales of licensed apparel constitutes of our wholesale sales, consisting of sales in our licensed and non-licensed apparel segments, as we added a retail segment midway through fiscal 2009 as a result of our acquisition of the Wilsons retail outlet business.

Proprietary Brands

Dating back to the beginning of our company, G-III has sold apparel under our own proprietary brands. Over the years, we developed and acquired brands such as G-III, Black Rivet, G-III Sports by Carl Banks, Jessica Howard and Eliza J.

In February 2008, we acquired Andrew Marc and Marc New York as additional upscale company owned brands. Since then we have also developed the Marc Moto brand, a men's denim lifestyle collection as a complement to these two brands. We utilize our own in-house capabilities to create our core women's and men's outerwear as well as our women's dress lines for Andrew Marc and Marc New York. One of our important initiatives has been to develop the Andrew Marc family of brands into a meaningful lifestyle brand. In addition to the core products that we develop and market for these brands, we have sought to expand the reach of these brands by entering into license agreements with third parties for men's jeans, men's dress shirts, men's tailored clothing, men's accessories, men's cold weather accessories, women's footwear, women's handbags, eyewear and watches. We continually look for new opportunities to leverage these brands.

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, 2011, we operated 132 retail stores in 36 states, 130 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. We currently plan to add approximately 10 to 15 Wilsons outlet stores in fiscal 2012.

Our outlet stores sell men's and women's outerwear and accessories. Outerwear sold in our stores includes products primarily manufactured by us and accessories which are purchased from third parties. 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 from our Brooklyn Park, Minnesota distribution center to replenish stores as needed with key styles and to build inventory for the peak holiday selling season.

In fiscal 2011, we formed a joint venture with The Camuto Group that will open and operate footwear and accessory retail outlet stores under the name Vince Camuto. The Camuto Group will provide product for the new store concept and will merchandise the stores. We will provide the infrastructure for the stores, including real estate,

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distribution, information systems, finance and administration. Both companies will share equally in the capital and operating costs of the joint venture. We expect to begin opening these stores in the first half of fiscal 2012 and to open approximately 10 Vince Camuto outlet stores in fiscal 2012.

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, Pakistan and Bangladesh. A small portion of our garments are manufactured in the United States.

We currently have representative offices in Hangzhou, Nanjing and Qingdao, China. These offices act as a liaison between us and manufacturers in China. At January 31, 2011, we had 128 employees in our China offices.

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 a subsidiary in Hong Kong. The Hong Kong subsidiary 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, 2011, 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, how the garment is constructed and the

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country of export. 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. 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.

Apparel and other products sold by us are also subject to regulations that relate to product labeling, content and safety requirements, licensing requirements and flammability testing. We believe that we are in substantial compliance with those regulations, as well as applicable federal, state, local, and foreign regulations relating to the discharge of materials hazardous to the environment.

Raw Materials

During fiscal 2011, demand for raw materials, including textiles, wool and leather, significantly increased while supplies of those raw materials declined due to adverse climate and other factors. As a result, we and other apparel manufacturers began to experience increases in raw material prices. These conditions are expected to continue into fiscal 2012. We expect to partially mitigate cost increases in fiscal 2012 and their effect on gross margins through a combination of alternate sourcing initiatives, shifting the fabrics we utilize, advantageous purchase of raw materials and price increases.

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 textiles, wool and leather, 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 generally 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 2,600 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 62.7% of our net sales in fiscal 2011 compared to 55.0% of our net sales in fiscal 2010 and 53.8% of our net sales in fiscal 2009. Sales to Macy's, which includes sales to its Macy's and Bloomingdale's store chains, accounted for an aggregate of 17.3% of our net sales in fiscal 2011, 16.8% of our net sales in fiscal 2010 and 15.4% of our net sales in fiscal 2009. Sales to the Marmaxx Group, which includes sales to the T.J. Maxx and Marshalls store chains, accounted for 12.4% of our net sales in fiscal 2011, 8.8% of our net sales in fiscal 2010 and 9.3% of our net sales in fiscal 2009. The loss of either of these customers, or a significant reduction in purchases by these customers, 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 3% of our wholesale net sales in fiscal 2011.

G-III's products are sold primarily through a direct sales force consisting of 96 employees at January 31, 2011. 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.

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We advertise our Andrew Marc brand and are engaged in both cooperative advertising programs with retailers and direct to the consumer. We are focused on creating an image that will broaden the lifestyle appeal of our Andrew Marc brands. Our marketing strategy is focused on media, public relations and channel marketing. Our media strategy for Andrew Marc includes traditional print and outdoor advertising, as well as digital and social media initiatives. We have allocated additional marketing and advertising resources to support the growth of our Andrew Marc brand.

We believe we have developed awareness of our other owned labels primarily through our reputation, consumer acceptance and the fashion press. We primarily rely on our reputation and relationships to generate business in the private label portion of 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, our standards of quality control, on-time delivery, competitive pricing and willingness and ability to assist customers in their merchandising of our products.

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 60% of our net sales in fiscal 2011, 64% of our net sales in fiscal 2010 and 70% of our net sales in fiscal 2009. Our Wilsons retail outlet business is also highly seasonal, with the third and fourth fiscal 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 a substantial majority of our 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. Some 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. 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. We own a number of proprietary brands that we use in connection with our business and products including, among others, Andrew Marc, Marc New York, Marc Moto, Jessica Howard, Eliza J., Black Rivet, Marvin Richards, Winlit, G-III and G-III Sports by Carl Banks. We have registered, or applied for registration of, many of our trademarks in multiple jurisdictions for use on a variety of apparel and apparel-related products, as well as for retail services.

In markets outside of the U.S., our rights to some of our trademarks may not be clearly established. In the course of our attempts to expand into foreign markets, we may experience conflicts with various third parties who have acquired ownership rights in certain trademarks, which would impede our use and registration of some of our

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trademarks. Such conflicts are common and may arise from time to time as we pursue international expansion. Although we have not in the past suffered any material restraints or restrictions on doing business in desirable markets or in new product categories, we cannot be sure that significant impediments will not arise in the future as we expand product offerings and introduce additional brands to new markets.

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, 2011, we had 2,154 employees, of whom 167 worked in executive or administrative capacities, 436 worked in design, merchandising and sourcing, 497 worked in warehouse and distribution facilities, 96 worked in wholesale sales, and 958 worked in our retail outlet stores. Additionally, during our peak retail selling season from October through January, we employed approximately 814 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 309 of our full-time employees as of January 31, 2011 and is currently in effect through October 31, 2011. The other agreement covers approximately 11 full-time employees of our Andrew Marc division and is currently in effect through December 31, 2011.

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

Name	Age	Position
Morris Goldfarb	60	Chairman of the Board, Chief Executive Officer, Director
Sammy Aaron	51	Vice Chairman, Director
Jeanette Nostra	59	President
Wayne S. Miller	53	Chief Operating Officer and Secretary
Neal S. Nackman	51	Chief Financial Officer and Treasurer

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 Christopher & Banks Corporation, RLJ Acquisition, Inc. and Ante5, Inc. Mr. Goldfarb served as a director of Lakes Entertainment, Inc. from June 1998 until March 2010.

Sammy Aaron has been our Vice Chairman, as well as one of our directors, since we acquired the Marvin Richards business in July 2005. Mr. Aaron also oversees the operations of our Calvin Klein division. 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. Ms. Nostra's responsibilities 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.

Carl Katz, one of our directors, and Jeanette Nostra are married to each other. Jeffrey Goldfarb, one of our directors and our Director of Business Development, is the son of Morris Goldfarb.

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ITEM 1A. *RISK FACTORS.*

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking statements contained in this Annual Report on Form 10-K. Any of the following risks could materially adversely affect our business, our prospects, our operating results, our financial condition, the trading prices of our securities and the actual outcome of matters as to which forward-looking statements are made