PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and consolidated and combined financial statements (including the notes thereto) appearing elsewhere in this Prospectus. Unless otherwise noted, all financial information, share and per share data in this Prospectus (a) have been adjusted to reflect (i) a reorganization of the Company effective July 31, 1989, (ii) the one-for-two reverse stock split of the Common Stock effected as of July 31, 1989, and (iii) the one-for-three reverse stock split of the Common Stock effected as of November 1, 1989 and (b) assume no exercise of (i) warrants for an aggregate of 220,000 shares of Common Stock or (ii) the over-allotment option.

THE COMPANY

G-III Apparel Group, Ltd. (the "Company") designs, manufactures and markets an extensive range of leather apparel. The Company's primary market is moderately priced women's leather apparel and, to a lesser extent, upscale, more fashion oriented women's leather apparel and men's leather outerwear. The Company's products include leather coats, jackets, pants, skirts and other sportswear.

The Company sells its products under its brand labels *G-III*,™ *Siena*™ and *Cayenne*® and, to a lesser extent, under private retail labels, to approximately 1,000 customers ranging from nationwide chains of retail and department stores to specialty boutiques. A majority of the Company's net sales are made to national and regional retail chains such as the Lerner, Limited, and Lane Bryant divisions of The Limited, Inc., Wilson's House of Suede, Maurices Inc., Petrie Stores Corp., Burlington Coat Factory Warehouse Corp., Sears, Roebuck & Co., Dillards Department Stores, Inc., May Company and Casual Corner.

In its fiscal year ended July 31, 1989, the Company manufactured approximately 31% of its products at its factories in New York City with the remainder manufactured for the Company by independent contractors, principally in South Korea, and also in New York, Hong Kong and South America.

Over the past three fiscal years, the Company's net sales have grown at a compound annual rate of 68%, and pro forma net income has increased from approximately $700,000 to $5,900,000. The Company believes that as a result of this growth it is one of the largest independent wholesale manufacturers of leather apparel in the United States. The Company's success has been due in part to its ability to offer a broad selection of styles, colors, sizes and skin varieties, and to anticipate retailers' near term buying requirements by adjusting its production and delivery schedules towards well received and in demand styles. The Company believes that its reputation for servicing retailers with quality merchandise, on-time delivery and competitive prices has positioned the Company for continued growth.

The Company's strategy is to increase sales to existing customers and attract new customers by expanding its product lines. The Company plans to further develop its *Siena* line of higher priced, more fashion oriented leather apparel, its *Cayenne* line of mid-priced leather apparel, its line of men's apparel and various private label programs for national retail chains and catalog merchants. The Company also expects to introduce a leather outerwear line for children within the next 12 months.

THE OFFERING

Common Stock Offered by:	
The Company	1,500,000 shares
The Selling Stockholder	500,000 shares
Common Stock to be Outstanding immediately after this Offering	6,144,444 shares
Use of Proceeds	To finance the growth of the Company's operations, primarily by additions to working capital, to permit the financing of additional inventory and accounts receivable relating to increased sales and to repay a $2,000,000 note.
NASDAQ Symbol	GIII

CONSOLIDATED AND COMBINED SUMMARY FINANCIAL INFORMATION
(Dollars in thousands except per share data)

	Year Ended July 31, (1)					Three Months Ended October 31,	
	1985	1986	1987	1988	1989	1988	1989
INCOME STATEMENT DATA:							
Net sales	$11,100	$21,375	$30,260	$50,002	$98,786	$30,734	$53,778
Gross profit	2,089	2,922	4,673	7,882	17,129	5,023	9,930
Selling, general and administrative expenses	2,018	2,350	2,635	3,951	5,416	1,558	2,460
Operating profit	71	572	2,038	3,931	11,713	3,465	7,470
Income before income taxes	48	301	1,533	3,086	10,347	3,191	6,652
Net income	40	154	727	2,719	9,526	2,921	3,780
Pro forma net income (2)	40	154	727	1,724	5,940	1,813	3,780
Pro forma net income per common share based upon 4,644,444 shares outstanding in each period	$.01	$.03	$.16	$.37	$1.28	$.39	$.81

BALANCE SHEET DATA:	July 31, 1989	October 31, 1989 (1)	
		Actual	As Adjusted (3)
Working capital	$ 6,199	$ 9,827	$25,510
Total assets	38,089	41,181	41,181
Short-term debt	20,547	18,778	4,938
Long-term debt.	3,547	3,480	1,480
Total stockholders' equity	5,317	9,096	26,779

(1) See Note 1 to "Selected Consolidated and Combined Financial Data."

(2) Pro forma net income represents net income less a pro forma provision for income taxes. A subsidiary of the Company elected to be treated as a Subchapter S corporation for the years ended July 31, 1988 and 1989 and, as a result, was not subject to Federal and New York State income taxes for such years.

(3) Adjusted to reflect the sale of 1,500,000 shares of Common Stock by the Company hereby and the anticipated use of the net proceeds therefrom.

THE COMPANY

The Company designs, manufactures and markets an extensive range of leather apparel including coats, jackets, pants, skirts and vests under its ***G-III, Siena*** and Cayenne labels and, to a lesser extent, under private retail labels. The Company's G-III women's division markets moderately priced leather coats, jackets, pants, skirts and other sportswear items, which typically sell at a retail price from $40 for sportswear items to $300 for coats. The Company's Siena division produces similar products directed to the higher priced, more fashion oriented market, which typically sell at a retail price between $260 for sportswear items and $1,800 for coats. The Company's menswear line, introduced in 1988 under the ***G-III*** label, currently primarily consists of coats and jackets with retail prices between $150 and $500. Cayenne, the Company's new mid-priced line of women's leather apparel, primarily consists of jackets and skirts with retail prices from $100 for skirts to $500 for jackets.

Sales of moderately priced women's leather apparel accounted for more than 85% of the Company's net sales in its fiscal year ended July 31, 1989. However, the Company expects that its sales of higher priced women's leather apparel and of men's leather apparel will constitute increasing percentages of the Company's sales during the next few years.

The Company sells to approximately 1,000 customers ranging from nationwide chains of retail and department stores to individual specialty boutiques. A majority of the Company's sales are made to national and regional retail chains such as the Lerner, Limited and Lane Bryant divisions of The Limited, Inc., Wilson's House of Suede, Maurices Inc., Petrie Stores Corp., Burlington Coat Factory Warehouse Corp., Sears, Roebuck & Co., Dillards Department Stores, Inc., May Company and Casual Corner. Sales to divisions of The Limited, Inc. represented approximately 20% of the Company's net sales during the years ended July 31, 1988 and 1989.

In its fiscal year ended July 31, 1989, the Company manufactured approximately 31% of its products at its New York City factories. The remainder was manufactured for the Company by independent contractors, principally in South Korea, and also in New York, Hong Kong and South America.

Over the past three fiscal years the Company's net sales have grown at a compound annual rate of 68%, and pro forma net income has increased from approximately $700,000 to $5,900,000. The Company believes that as a result of this growth it is one of the largest independent wholesale manufacturers of leather apparel in the United States. The Company's success has been due in part to its ability to offer a broad selection of styles in outerwear (bomber jackets, winterized/lined jackets and coats, trench coats, dress coats) and sportswear (skirts, pants, vests), colors (black, brown, bright colors, earthtones, pastels), sizes (junior, missy, half), skin varieties (cow, lamb, pig, goat), finishes (smooth, embossed, distressed) and cuts (shearling, suede), and to adjust its product mix towards well received styles. The Company believes that its reputation for servicing retailers with quality merchandise, on-time delivery and competitive prices has positioned the Company for future growth.

The Company's strategy is to increase sales to existing customers and attract new customers by expanding its product lines. Product line expansion is planned with the further development of the Company's ***Siena*** and ***Cayenne*** lines, men's leather apparel and various private label programs for national retail chains and catalog merchants. The Company also plans to introduce a leather outerwear line for children within the next 12 months.

The Company's principal operating subsidiary, G-III Leather Fashions, Inc. ("G-III"), was incorporated in the State of New York in 1974. The Company's Chairman was a principal in a company engaged in the manufacturing and marketing of leather apparel from 1956 until 1974. Siena Leather Ltd. ("Siena"), the Company's other operating subsidiary, was incorporated in the State of New York in 1981.

The Company was originally incorporated under the laws of the State of Minnesota in July 1987 under the name "Ante Corp." for the purpose of providing a vehicle to raise capital and seek business opportunities, through acquisitions or otherwise. Effective July 31, 1989, the Company acquired its current business operations through the acquisition of all of the outstanding stock of G-III and Siena for approximately 85% of the Company's outstanding capital stock (the "Reorganization"). See "Certain Transactions-The Reorganization." Prior to the acquisition of G-III and Siena, Ante Corp. was not engaged in the operation of any business. All of the funds previously raised by Ante Corp. privately and publicly, net of the expenses thereof and of the Reorganization, were transferred to the Company upon the Reorganization. Ante Corp. was reincorporated under the laws of the State of Delaware on November 1, 1989, changing its name in the process to G-III Apparel Group, Ltd.

As used in this Prospectus, the term "Company" means G-III Apparel Group, Ltd. and its subsidiaries, G-III and Siena, for periods subsequent to the Reorganization and the operations of G-III and Siena for all prior periods. The Company's principal executive offices are located at 345 West 37th Street, New York, New York 10018. The Company's telephone number is (212) 629-8830.

INVESTMENT CONSIDERATIONS

A potential investor should consider carefully the following factors, among others, together with all the other information appearing in this Prospectus, before purchasing shares of the Common Stock offered hereby.

Reliance *on* Foreign Manufacturers. For the fiscal year ended July 31, 1989, approximately 68% of the products sold by the Company was manufactured to its specification by foreign manufacturers, located principally in South Korea. The Company anticipates that the percentage of its products manufactured by foreign manufacturers will increase as sales increase. The Company's arrangements with its manufacturers are subject to the risks of doing business abroad, including risks associated with economic or political instability in countries in which such manufacturers are located, and risks associated with foreign currency and potential import restrictions. These risks may be increased in the Company's case by the concentration of its foreign manufacturers in one country. In addition, the Company may be subject to risks associated with the availability of and time required for the transportation of products from foreign countries, or from losses which may occur during shipping. Due to the Company's reliance on such foreign manufacturers, the Company is required to order products further in advance of customers' orders than would be the case if all products were manufactured domestically. As is customary in the industry, the Company has not entered into any long-term contractual arrangements with its independent manufacturers, because the Company believes that alternative manufacturers are readily available.

Dependence on Key Personnel. The Company depends on the services of Morris Goldfarb and Aron Goldfarb (President and Chairman, respectively, of the Company), as well as other key personnel. Morris Goldfarb and Aron Goldfarb are involved in almost all of the significant decisions concerning the Company's activities. Loss of either of their services could have a material adverse effect on the business of the Company. The Company will enter into amended employment agreements, effective upon the completion of this offering and expiring July 31, 1992 and July 31, 1991, with each of Morris Goldfarb and Aron Goldfarb, respectively, and has applied for a life insurance policy on Morris Goldfarb in the amount of $20,000,000 of which the Company is the named beneficiary. Although the Company has historically been dependent on the participation of Morris Goldfarb and Aron Goldfarb, the Company is reducing its reliance on them by hiring additional experienced executive personnel.

Key *Customer.* During each of the Company's fiscal years ended July 31, 1988 and 1989, the Company's largest customer, The Limited, Inc. ("The Limited"), through its Lerner, Limited and Lane Bryant divisions, accounted for approximately 20% of net sales. A decrease in sales to these divisions of The Limited could have an adverse effect on the Company. The Company has no long-term commitments or contracts with any customer, with purchases occurring on an order-by-order basis.

Nature of Apparel Industry. The Company believes that to succeed in the highly competitive apparel field it must be able to anticipate, gauge and respond to changing consumer demand and tastes and to adapt to changing styles and fashion trends, as well as to operate within significant production and delivery constraints as a result thereof. If the Company materially misjudges the market for a particular product or product group, the Company could be faced with a substantial amount of unsold inventory. Although the Company has not previously incurred any material losses as a result of unsold inventory, any such misjudgment could have an adverse effect on the Company. The Company has experienced significant growth in its net sales and net income over the past few years, in part, because of increased demand for leather apparel. Accordingly, the Company could be adversely affected by significant reductions in consumer demand for leather apparel.

Seasonality. Retail sales of apparel, including leather apparel, have traditionally been seasonal in nature. Although the Company sells its leather apparel throughout the year, approximately 61%, 63% and 66% of the Company's net sales was achieved in the months of May through October, the Company's fourth and first fiscal quarters, during the fiscal years ended July 31, 1987, 1988 and 1989, respectively. The Company believes that its net income during the first and fourth fiscal quarters of each of its previous three fiscal years accounted for an even greater percentage of its net income for such fiscal years.

Control by Certain Principal Stockholders. Following completion of the offering, Morris Goldfarb and Aron Goldfarb will beneficially own approximately 56.3% of the outstanding Common Stock (51.4% and 53.7% if the Underwriters' over-allotment option is exercised in full from Morris Goldfarb or the Company, respectively) and will remain in a position to collectively elect all of the Company's directors and control the policies and operations of the Company. Aron Goldfarb and Morris Goldfarb are father and son. See "Principal and Selling Stockholders."

Shares Eligible for Future Sale. The market price of the Common Stock could be adversely affected by the availability for sale of shares held by the present stockholders of the Company. See "Principal and Selling Stockholders." The Company, its officers and directors and the Selling Stockholders have agreed not to sell or transfer any shares of the Common Stock for 180 days from the date hereof without the prior written consent of the Representative of the Underwriters.

Lack of Significant Trading Market; Determination of Offering Price. Prior to this offering there has been a limited over-the-counter public trading market for the Common Stock. There can be no assurances that a regular trading market in the Common Stock will develop after the offering, or that such trading market, if developed, will be sustained. The Common Stock has been approved for quotation on the National Association of Securities Dealers Automated Quotations National Market System (the "NASDAQ/NMS"). The price at which the Common Stock is being offered has been determined based on negotiations among the Representative, the Selling Stockholders and the Company. See "Underwriting."

USE OF PROCEEDS

The net proceeds to the Company from the sale of the 1,500,000 shares offered by the Company are estimated to be approximately $17,683,000 ($21,310,000 in the event that the over-allotment option is exercised in full from the Company). The Company intends to use the net proceeds of the offering to finance the growth of its operations, primarily by augmenting its working capital to permit the financing of additional inventory and accounts receivable relating to increased sales and to repay a $2,000,000 promissory note, bearing interest at the bank's prime rate plus ¾%, due on November 1, 1990. Repayment of such promissory note has been guaranteed by Morris Goldfarb and Aron Goldfarb.

The net proceeds of this offering to the Company are expected to be used to pay down temporarily a portion of the amount outstanding under the Company's bank line of credit (approximately $18,877,000 as of November 30, 1989). Borrowings under this line of credit are secured by the Company's imported inventory and accounts receivable, are payable on demand and bear interest at the bank's prime rate from time to time plus ¾% per annum, in the case of direct debt, and at the prevailing acceptance rate plus 2¼% per annum, in the case of bankers' acceptances. Such line of credit is used for working capital and, in addition to the proceeds of the $2,000,000 promissory note, to fund certain distributions of Subchapter S earnings to the principal stockholders of the Company. The Company intends to use the net proceeds of this offering and new borrowings under such line to satisfy seasonal requirements for financing inventory and accounts receivable and to make additional distributions of Subchapter S earnings in the amount of approximately $1,843,000. See "Certain Transactions-The Reorganization."

The Company will not receive any proceeds from the sale of shares by the Selling Stockholders. In the event the Company sells additional shares to the Underwriters pursuant to the over-allotment option, any additional proceeds would be added to working capital. See "Underwriting."

COMMON STOCK MARKET INFORMATION

Prior to this offering, there has been a limited over-the-counter public trading market for the Common Stock. The Company believes that the prior sporadic price quotations for the Common Stock do not provide a meaningful indication of the value of the Common Stock. The Common Stock has been approved for quotation on the NASDAQ/NMS under the trading symbol "GIII".

As of October 18, 1989, there were 46 holders of record and approximately 195 beneficial holders of the Common Stock.

DILUTION

As of October 31, 1989, the net tangible book value of the Common Stock was approximately $9,096,000, or $1.96 per share. As of October 31, 1989, after giving effect to the sale by the Company of the 1,500,000 shares of Common Stock offered hereby, but without taking into account any changes in such net tangible book value attributable to operations after such date, the pro forma net tangible book value of the Common Stock would have been approximately $26,780,000 or $4.36 per share. This represents an immediate increase in pro forma net tangible book value of the Common Stock of approximately $2.40 per share to existing stockholders and an immediate dilution of approximately $8.64 per share to new investors purchasing shares of Common Stock at the public offering price.

The following table illustrates the dilution per share, taking into account estimated expenses of this offering:

Public offering price per share (1)		$13.00
Net tangible book value per share before the offering	$1.96	
Increase in net tangible book value per share attributable to payments by new investors to the Company	$2.40	
Pro forma net tangible book value per share after the offering (2)		$ 4.36
Dilution per share to new investors in the offering (2)		$ 8.64

(1) Before deducting the underwriting discount and estimated offering expenses to be paid by the Company.

(2) After taking into account the underwriting discount and the expenses of this offering payable by the Company which are expected to aggregate approximately $1,817,000.

The Company will not receive any of the proceeds from the sale of the Common Stock being sold by the Selling Stockholder and, accordingly, such proceeds will not increase the net tangible book value per share of the Common Stock.

The following table summarizes the difference between (i) the consideration paid to the Company by directors and officers of the Company for shares of Common Stock acquired by them within the past five years and (ii) the consideration to be paid to the Company by new investors as a result of the sale by the Company of 1,500,000 shares offered by it hereby.

	Shares Purchased	Aggregate Consideration Paid	Average Consideration Paid Per Share
Directors and officers	316,666	$ 1,005,480	$ 3.18
New investors	1,500,000	19,500,000	13.00
Total	1,816,666	$20,505,480	

CAPITALIZATION

The following table sets forth the short-term debt and capitalization of the Company on a consolidated basis at October 31, 1989, and as adjusted to give effect to the sale of the 1,500,000 shares of Common Stock offered by the Company hereby and the anticipated application by the Company of the net proceeds therefrom.

	October 31, 1989	
	Actual	As Adjusted
	(Dollars in thousands)	
Short-term debt:		
Bankers' acceptances, loan and notes payable (1)	$18,616	$ 4,776
Current portion of capital lease obligations	162	362
Total short-term debt	$18,778	$ 4,938
Long-term debt:		
Notes payable	$ 2,425	$ 425
Capitalized lease obligations	1,054	1,054
Total long-term debt	$ 3,479	$ 1,479
Stockholders' equity:		
Preferred stock, no par value per share ($.01 par value per share as of November 1, 1989): 1,000,000 shares authorized; none outstanding or to be outstanding	—	—
Common stock, par value $.01 per share: 15,000,000 shares authorized (20,000,000 as of November 1, 1989), 4,644,444 shares outstanding; 20,000,000 shares authorized, 6,144,444 shares outstanding, as adjusted	$ 46	$ 61
Common stock purchase warrant, none outstanding; 200,000 as adjusted	—	200
Additional paid-in capital	3,374	21,042
Retained earnings	5,676	5,676
Total stockholders' equity	9,096	26,979
Total capitalization	$31,353	$33,396

(1) The Company currently has a $34,000,000 secured line of credit with a bank, of which a maximum of $22,500,000 is available for direct debt and bankers' acceptances and the balance is available for commitments under letters of credit. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources." Interest on direct debt is payable at the bank's prime rate plus ¾% per annum and interest on bankers' acceptances is payable at the prevailing acceptance rate plus 2¼% per annum. As of October 31, 1989, there were commitments under outstanding letters of credit of $16,162,000.

DIVIDEND POLICY

The Company has never paid cash dividends on its Common Stock other than Subchapter S distributions made by G-III to its stockholders while being treated as a Subchapter S corporation under the Internal Revenue Code with respect to the period from August 1, 1987 to July 31, 1989. The Board of Directors currently intends to follow a policy of retaining all earnings to finance the continued growth and development of the Company's business and does not anticipate paying cash dividends in the foreseeable future. Any future determination as to the payment of cash dividends will be dependent upon the Company's financial condition, results of operations and other factors deemed relevant by the Board of Directors. Certain agreements entered into by the Company in connection with both the New York City Industrial Development Agency and New York Job Development Authority loans prohibit the payment of cash dividends without consent. See "Certain Transactions."

SELECTED CONSOLIDATED AND COMBINED FINANCIAL DATA

The selected consolidated and combined financial data set forth below for each of the three years ended July 31, 1989 and as of July 31, 1987, 1988 and 1989, has been derived from the audited consolidated and combined financial statements of the Company. The selected consolidated and combined financial data for each of the two years ended July 31, 1986 and as of July 31, 1985 and 1986, and for the three-month periods ended October 31, 1988 and 1989 and as of October 31, 1988 and 1989 are unaudited, but in the opinion of management of the Company includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of financial position and the results of operations for such periods. Results for the interim periods are not necessarily indicative of results to be expected for the entire year. The selected consolidated and combined financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited and unaudited consolidated and combined financial statements and related notes thereto included elsewhere in this Prospectus.

(Dollars in thousands except per share data)

	Year Ended July 31, (1)					Three Months Ended October 31,	
	1985	1986	1987	1988	1989	1988	1989
INCOME STATEMENT DATA:							
Net sales	$11,100	$21,375	$30,260	$50,002	$98,786	$30,734	$53,778
Cost of goods sold	9,011	18,453	25,587	42,120	81,657	25,711	43,848
Gross profit	2,089	2,922	4,673	7,882	17,129	5,023	9,930
Selling, general and administrative expenses	2,018	2,350	2,635	3,951	5,416	1,558	2,460
Operating profit	71	572	2,038	3,931	11,713	3,465	7,470
Interest expense	23	271	505	845	1,366	274	818
Income before income taxes	48	301	1,533	3,086	10,347	3,191	6,652
Income taxes	8	147	806	367	821	270	2,872
Net income	$ 40	$ 154	$ 727	$ 2,719	$ 9,526	$ 2,921	$ 3,780
Pro forma income taxes	$ —	$ —	$ —	$ 995	$ 3,586	$ 1,108	—
Pro forma net income (2)	$ 40	$ 154	$ 727	$ 1,724	$ 5,940	$ 1,813	$ 3,780
Pro forma net income per common share based upon 4,644,444 shares outstanding in each period	$ .01	$ .03	$ .16	$ .37	$ 1.28	$ .39	$ .81

	July 31, (1)					October 31, 1989
	1985	1986	1987	1988	1989	
BALANCE SHEET DATA:						
Working capital	$ 1,164	$ 936	$ 1,608	$ 3,731	$ 6,199	$ 9,827
Total assets	5,116	6,042	10,183	17,846	38,089	41,181
Short-term debt	2,354	2,882	4,438	8,271	20,547	18,778
Long-term debt, excluding current portion	699	299	1,679	1,595	3,547	3,480
Total stockholders' equity	628	782	1,517	3,923	5,317	9,096

(1) The balance sheets of G-III and Siena have been consolidated with the Company, as of July 31, 1989. Prior to July 31, 1989, G-III and Siena were affiliated through common ownership and G-III had a fiscal year ending July 31 and Siena had a fiscal year ending on October 31. The accompanying income statement data reflects the combination of their statements of income for the years presented. Effective July 31, 1989, the Company and Siena adopted a July 31 fiscal year-end.

(2) Pro forma net income represents net income less a pro forma provision for income taxes based on statutory rates that would have resulted had the Company filed consolidated corporate income tax returns including the results of G-III which, for the years ended July 31, 1988 and 1989, elected to be treated as a Subchapter S corporation and, as a result, was not subject to Federal and New York State income taxes for such years. There were no cash dividends for any periods presented, other than Subchapter S corporation distributions, paid by the Company in the years ended July 31, 1988 and 1989.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Year references relate to the Company's fiscal year ended July 31 in such year.

Results of Operations

The following table sets forth selected operating data of the Company as a percentage of net sales for the periods indicated below:

	Year Ended July 31,			Three Months Ended October 31,	
	1987	1988	1989	1988	1989
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	84.6	84.2	82.7	83.7	81.5
Gross profit	15.4	15.8	17.3	16.3	18.5
Selling, general and administrative expenses	8.7	7.9	5.5	5.0	4.6
Operating profit	6.7	7.9	11.8	11.3	13.9
Interest expense	1.7	1.7	1.4	.9	1.5
Income before income taxes	5.0	6.2	10.4	10.4	12.4
Income taxes	2.6	.8	.8	.9	5.4
Net income	2.4	5.4	9.6	9.5	7.0
Pro forma income taxes	—	2.0	3.6	3.6	—
Pro forma net income	2.4%	3.4%	6.0%	5.9%	7.0%

First Quarter of 1990 Compared to First Quarter of 1989

Net sales of $53.8 million for the first quarter of 1990 were approximately 75% more than net sales of $30.8 million for the first quarter of 1989, primarily as a result of increased sales of moderately priced women's leather apparel. This increase reflects growth in the number of the Company's customers and sales to existing customers, as well as continued strong consumer demand for leather apparel. The increase in sales was a result of an increase in units sold rather than an increase in prices.

Gross profit was $9.9 million in the first quarter of 1990, representing an increase of $4.9 million over the first quarter of 1989 and an increase of 2.2% as a percentage of net sales over such first quarter of 1989. The favorable increase in gross margin was attributable to the continued shift in the mix of manufacturing away from domestic toward overseas production.

Selling, general and administrative expenses of $2.5 million for the first quarter of 1990 were approximately $900,000 more than in the comparable period in 1989, primarily as a result of additional selling expenses. an accrual for a bonus payable to a certain executive and the hiring of additional executive personnel. However, selling, general and administrative expenses decreased by 0.4% as a percentage of sales compared to the first quarter of 1989, as a result of spreading these expenses over increased net sales. The Company intends to increase the number of management level employees and to expand its production, sales and distribution facilities which could cause this percentage to remain stable or increase even if the Company's sales continue to increase.

Interest expense increased approximately $544,000 to $818,000 in the first quarter of 1990 compared to interest expense of $274,000 in the first quarter of 1989. Increased interest expense resulted from higher levels of borrowing as a result of increased inventories and accounts receivable in connection with the Company's higher sales. As the Company produced more product overseas in the first quarter of 1990 compared to the first quarter of 1989, interest expense increased as a percentage of net sales primarily because of the higher borrowing costs associated with foreign production as compared to domestic production.

Income tax expense, including pro forma taxes for the first quarter of 1989, represented 43.2% of pretax income in the first quarter of both 1989 and 1990.

1989 Compared to 1988

Net sales of $98.8 million for 1989 were approximately double net sales of $50 million for 1988, primarily as a result of increased net sales of moderately priced women's leather apparel to new and existing customers. This increase also reflects a strong consumer demand for leather apparel and the Company's ability to increase its access to quality manufacturing sources to satisfy such demand. The increase in net sales was a result of an increase in units sold rather than an increase in prices.

Gross profit of $17.1 million for 1989 represented an increase of approximately $9.2 million over 1988 and an increase of 1.5% as a percentage of net sales over 1988. The favorable increase in gross profit was attributable to the continued shift in the amount of products manufactured overseas. In addition, in 1989, the Company opened a Korean office which provides for more efficient, cost effective supervision of foreign manufactured garments.

Selling, general and administrative expenses of $5.4 million for 1989 were approximately $1.5 million more than for 1988, representing a decrease of 2.4% as a percentage of net sales compared to 1988. Such decrease was a result of spreading fixed costs over increased net sales. The Company intends to increase the number of management level employees and to expand its production, sales and distribution facilities which could cause this percentage to remain stable or increase even if the Company's sales continue to increase.

Interest expense was approximately $1.4 million for 1989 representing an increase of approximately $521,000 over 1988. Increased interest expense resulted from higher levels of borrowing as a result of larger inventories and accounts receivable in connection with the Company's higher sales. Although the Company's interest expense increased significantly, interest expense decreased as a percentage of net sales primarily as a result of greater use of letters of credit, a lower premium over the prime rate of interest applicable on its credit line and improved billing and collection procedures.

Income tax expense, including pro forma taxes, represented 42.6% of pretax income in 1989 as compared to 44.1% of pretax income in 1988. Statutory rates were identical in both years with the favorable reduction resulting from lower local tax allocations in 1989.

1988 Compared to 1987

Net sales of $50 million for 1988 increased by $19.7 million compared to 1987 net sales of $30.3 million, primarily as a result of increased net sales of the Company's moderately priced women's leather apparel. The increase in sales was attributable primarily to an increase in units sold.

Gross profit was $7.9 million in 1988, representing an increase of $3.2 million and an increase of 0.4% as a percentage of net sales over 1987. The favorable increase in gross margin was primarily attributable to the continued shift to overseas production.

Selling, general and administrative expenses of $3.9 million for 1988 were approximately $1.3 million more than 1987, representing a decrease of 0.9% as a percentage of net sales compared to 1987. This decrease was a result of spreading certain fixed costs over a larger net sales base.

Interest expense increased $340,000 to $845,000 in 1988 because of the increase in net sales.

Income tax expense, including pro forma taxes, represented 44.1% of pretax income in 1988 as compared to actual expense of 52.6% of pretax income in 1987. The reduction resulted from a decrease in the Federal tax rate from 45% in 1987 to 34% in 1988. State and local tax rates were substantially the same in both years.

Liquidity and Capital Resources

The Company has financed its operations principally through the use of its bank line of credit, internally generated funds and loans from the Company's principal stockholders and cash of approximately $2.5 million generated in the Reorganization. As the Company has grown significantly over the past few years, cash provided by its net earnings has not been sufficient to fund the increased levels of accounts receivable and inventories that have resulted from this growth. Accordingly, the Company's internally generated funds did not provide for all of the cash needed for operating activities in 1987, 1988 and 1989. The Company utilized financing activities, primarily short-term borrowings under a line of credit, to assist in funding its cash needs during this period of growth. Cash used in investing activities, consisting of capital expenditures, has not been significant as the Company's business does not require major capital expenditures.

The Company currently has a $34 million secured line of credit with a bank, of which a maximum of $22.5 million is available for borrowings and the balance is available for letters of credit. Borrowings under the line of credit bear interest at the bank's prime rate (currently 10½%) plus ¾% in the case of direct debt, and at the prevailing acceptance rate plus 2¼%, in the case of bankers' acceptances, and are payable on demand. The amount which may be borrowed is based on specified percentages of accounts receivable and inventory. Portions of the line of credit are guaranteed personally by Morris and Aron Goldfarb. It is expected that such personal guarantees will terminate upon the consummation of this offering. See "Certain Transactions." Although there is no written agreement with the bank, the Company has had a borrowing facility with this bank for over three years. The amount borrowed under this line varies based on the Company's seasonal requirements. The maximum amount outstanding under such line (i.e., direct borrowings, bankers' acceptances and open letters of credit) was $4,491,000, $9,923,000 and $28,830,000 in 1987, 1988 and 1989, respectively. As of October 31, 1989, there were no outstanding borrowings, $18,616,000 of bankers' acceptances and $16,162,000 of contingent liabilities under open letters of credit.

Historically, the Company's business has not required major capital expenditures. The Company's capital expenditures were approximately $34,000, $269,000 and $577,000 in 1987, 1988 and 1989, respectively, primarily for leasehold improvements and distribution equipment. The Company has also received the benefit of certain long-term financings, aggregating approximately $2.6 million, issued for the purpose of acquiring and renovating the property on which the Company's headquarters are located. See "Certain Transactions." The Company expects that capital expenditures will be made in the next 12 months to expand the Company's sales, production and distribution facilities. As the Company presently expects to lease these new facilities, capital expenditures for leasehold improvements and related equipment are expected to be approximately $500,000 during the next 12 months and should be funded by internally generated funds or, if the Company were to purchase any of such facilities, by the proceeds of this offering.

The Company's need for working capital to finance higher levels of accounts receivable and inventory has increased as its sales have grown. The Company believes that the capital base provided by this offering, coupled with internally generated funds will allow the Company to operate within its existing credit facility to meet peak seasonal needs for the next 18 months.

Impact of Inflation and Foreign Exchange

The results of operations of the Company for the periods discussed have not been significantly affected by inflation or foreign currency fluctuation. The Company negotiates its purchase orders with its foreign manufacturers in United States dollars. Thus, notwithstanding any fluctuation in foreign currencies, the Company's cost for any purchase order is not subject to change after the time the order is placed. However, the weakening of the United States dollar against local currencies, particularly South Korea, could lead certain manufacturers to increase their United States dollar prices for products. The Company believes it would be able to pass on to its customers most of any such price increase.

New Accounting Standard

In December 1987, the Financial Accounting Standards Board issued a new standard on accounting for income taxes under which the Company is required to adopt the new rules for not later than its 1992 fiscal year. Adoption of the new rules requires the Company to adopt an asset and liability approach for financial accounting and reporting for deferred income taxes. The Company estimates that adoption of this standard will not have a significant effect on its financial position. See Note A-6 of the Notes to Consolidated and Combined Financial Statements.

BUSINESS

General

The Company designs, manufactures and markets an extensive range of leather apparel including coats, jackets, pants, skirts and other sportswear items under its *G-III,*™ *Siena*™ and *Cayenne*™ labels and, to a lesser extent, under private retail labels. The Company commenced operations in 1974, initially selling moderately priced women's leather coats and jackets under its G-ZZZ label. The Company has continuously expanded its women's product lines and began selling higher priced, more fashion forward women's leather apparel under its *Siena* and *Cayenne* labels in 1981 and 1988, respectively. In 1988, the Company introduced a line of men's leather apparel, presently primarily consisting of jackets and coats sold under the *G-III* label.

Sales of moderately priced women's apparel accounted for more than 85% of the Company's net sales in the year ended July 31, 1989. The Company sells to approximately 1,000 customers ranging from nationwide chains of retail and department stores to specialty boutiques. A majority of the Company's net sales are made to national and regional retail chains such as the Lerner, Limited, and Lane Bryant divisions of The Limited, Wilson's House of Suede, Maurices Inc., Petrie Stores Corp., Burlington Coat Factory Warehouse Corp., Sears, Roebuck & Co., Dillards Department Stores, Inc., May Company and Casual Corner. In the year ended July 31, 1989, the Company manufactured approximately 31% of its products at its factory in New York City with the remainder manufactured for the Company by independent contractors, principally in South Korea, and also in New York, Hong Kong and South America.

Over the past three fiscal years, the Company's net sales have grown at a compound annual rate of 68%. The Company believes that as a result of this growth it is one of the largest independent wholesale manufacturers of leather apparel in the United States. The Company's success has been due in part to its ability to offer a broad selection of styles, colors, sizes, skins, finishes and cuts and to anticipate retailers' near term buying requirements by adjusting its production and delivery schedules towards well received and in demand styles. The Company believes that its reputation for servicing retailers with quality merchandise, on-time delivery and competitive prices has positioned the Company for continued growth.

Leather Apparel Industry Background

The term "leather" refers to the skin of an animal, which has been treated or "dressed" for use. The uses of leather are varied and include leather accessories (i.e., wallets, handbags, belts, hats, gloves and luggage), automotive (i.e., seatcovers, steering wheels and trim), furniture, apparel (i.e., jackets, coats, pants, skirts and other sportswear items) and footwear. Although leather utilized by the Company is derived primarily from cows, the Company also uses pig, lamb and goat skins in the production of its garments.

Prior to the mid 1970's, leather apparel sold in the United States was primarily produced domestically. The leather manufacturing industry was highly fragmented, and was composed of many small manufacturers. Products offered consisted mainly of a few traditional styles with limited colors (black, light or dark brown and cranberry). The Company believes that, as a result of the narrowness of the products offered during this period, demand for leather garments was relatively stagnant.

With the advent of new colors and enhanced styling detail in the late 1970's, consumer demand for leather apparel grew, resulting in a shortage of manufacturing capacity and rising costs. Seeking a solution to this shortage, domestic manufacturers contracted with foreign manufacturers to produce leather garments on their behalf. The utilization of foreign manufacturers resulted in lower retail price points (while maintaining higher profit margins at retail and wholesale levels), which, in turn, broadened the consumer base for leather apparel. The higher profit margins available in leather apparel as compared to other types of garments made leather apparel an attractive item for retail stores to promote.

In the mid 1980's, technological changes in leather tanning techniques increased the color and texture alternatives of leather garments, making greater styling and variety of product mix possible.

These technological changes resulted in increased consumer demand, both as a result of the additional types and styles of garments available for selection and their affordability for an increased number of consumers. Leather apparel, which previously had been perceived primarily as a luxury item, is now purchased by a broad range of consumers. Although leather still has special appeal to the fashion conscious consumer willing to pay premium prices, these technological changes, together with the availability of foreign manufacturing sources, also make leather attractive and affordable on an "every day" basis to a larger segment of consumers.

Products-Development and Design

In the 1970's, the Company manufactured a limited line of moderately priced women's leather jackets and coats. In recent years, as the demand for women's leather garments has grown and as new techniques for processing leather have been developed, the Company began selling leather pants, skirts and sportswear in addition to its outerwear, and offering a more extensive selection of styles, colors and size categories. The Company manufactures and markets a full line of women's leather apparel in "junior," "missy" and "half sizes."

The Company's G-III women's division markets moderately priced women's leather apparel, which typically sell at a retail price from $40 for sportswear items to $300 for coats. The ***Siena*** line of apparel, which caters to the higher priced, more fashion conscious consumer, typically has a retail price between $260 for sportswear items and $1,800 for coats. ***Cayenne,*** the Company's new mid-priced line of leather apparel, primarily consists of jackets and skirts with retail prices from $100 for skirts to $500 for jackets. In 1988, the Company expanded its products to include a men's line of leather outerwear sold under the G-ZZZ label, typically having a retail price between $150 and $500.

In addition to products sold under the Company's brand names, the Company works with retail chains in developing product lines sold under private retail labels. With regard to private label sales, the Company meets frequently with buyers who custom order products by color, fabric and style. These buyers may provide samples to the Company or may select styles already available in the Company's showroom. The Company has established a reputation among such buyers for the ability to arrange for manufacture of leather apparel on a reliable, expeditious and cost-effective basis.

The Company plans to expand its product line with the further development of the Company's ***Siena*** and ***Cayenne*** lines, men's leather apparel and various private label programs for national retail chains and catalog merchants. The Company also plans to introduce a leather outerwear line for children within the next 12 months.

The Company's in-house designers are responsible for the design and look of the Company's products. The Company responds to style changes in the apparel industry by maintaining a continuous program of style, color and type of leather selection. In designing new products and styles, the Company attempts to incorporate current trends and consumer preferences in the Company's traditional product offerings. For example, the Company has increased its manufacture of various styles, colors, skin varieties and finishes of its products, including bomber jackets, shearlings, suede apparel and winterized/lined jackets and coats, to satisfy consumer demands. The Company seeks to design products in response to anticipated trends in consumer preferences, rather than to attempt to establish market trends and styles.

Design personnel meet regularly with the Company's sales and merchandising departments to review market trends, sales results and the popularity of the Company's products. In addition, representatives of the Company regularly attend trade and fashion shows and shop at fashion forward stores in the United States, Europe and the Far East and present sample items to the Company along with their evaluation of the styles expected to be in demand in the United States. The Company also seeks input from selected customers with respect to product design. The Company believes that its sensitivity to the needs of its retail customers, coupled with the flexibility of its production capabilities and its continual monitoring of the retail market, enables the Company to modify designs and order specifications in a timely fashion.

The Company's domestic production capabilities enable it to conduct test-marketing, in cooperation with specialty retailers and department stores, prior to full manufacturing and marketplace introduction of certain styles and products. Test-marketing typically involves introducing a new style into approximately 20 to 30 store locations in certain major markets. If the Company finds acceptance of the product on a consumer level, the Company proceeds with full-scale manufacturing and market introduction.

Manufacturing

The Company's products are manufactured both domestically and abroad. In the year ended July 31, 1989, approximately 31% of the Company's products were manufactured by the Company at its New York facilities and approximately 68% of such products were imported from independent manufacturers located primarily in South Korea, and, to a lesser extent, in Hong Kong and South America. The balance of the Company's products, consisting of overflow production from the Company's facilities during peak production periods, were manufactured by independent contractors located in New York. The Company believes that as its sales continue to grow, the percentage of garments manufactured for it in foreign countries will increase.

In connection with the domestic manufacture of the Company's products, quality control is monitored at each stage of the production process, including the selection of skins and non-leather supplies and the cut, make and trim processes. Leather skins purchased from suppliers are sent to a tannery which processes and finishes the hides. The Company presently uses three tanneries, all located in upstate New York, to finish the skins used by the Company in the domestic manufacture of its products. As is customary in the industry, the Company has no long-term formal arrangement with any of its tanning contractors. The Company believes that, if necessary, comparable alternative tanneries are available on similar terms.

The Company's agents inspect quality and coloration at the tannery against order specifications prior to shipping hides to the Company's manufacturing facilities. The manufacture of leather apparel, because of the nature of leather skins, is done manually. A pattern is used in cutting hides to panels which are assembled in the Company's factories. All non-leather supplies, including linings, zippers and buttons, are also added at this time. Products are inspected throughout this process to insure that quality specifications of the order are being maintained as the garment is assembled. After pressing, cleaning, and final inspection, the garment is labelled and hung awaiting shipment. A final random inspection occurs when the garments are packed for shipment.

To effectively control the growing volume and quality of foreign production, the Company opened a branch office in Seoul, South Korea in January 1989. This office, which, at July 31, 1989, had 13 employees, acts as a liaison between the Company and the various manufacturers located throughout South Korea and Hong Kong used to produce the Company's garments. Upon receipt from the Company's headquarters of production orders stating the number, quality and types of garments needed to be produced, this liaison office negotiates and places orders with one or more South Korean and Hong Kong manufacturers. All products not manufactured by the Company directly are manufactured from designs and specifications provided by the Company. In allocating production among independent suppliers, the Company considers a number of criteria, including quality, availability of production capacity, pricing and ability to meet changing production requirements.

The manufacturing process utilized by the Company's foreign manufacturers is similar to that used by the Company in its domestic facilities. Foreign manufacturers purchase skins directly according to parameters specified by the Company. Prior to commencing the manufacture of the garments, samples of the skins are sent to the Company's New York offices for approval. Employees of the liaison office regularly inspect and supervise the manufacture of the products for the Company in order to ensure timely delivery, maintain quality control, monitor compliance with Company manufacturing specifications and inspect finished apparel. To secure the necessary manufacturing facilities, the Company must make advance commitments, sometimes as much as six months in advance of receipt of firm orders from customers. In most cases, however, the Company's arrangements with manufacturers allow some flexibility after an order is placed to modify color, styling, size and/or delivery dates of items to be produced.

The Company operates under substantial time constraints in producing its products. These time constraints require the Company to have products available for delivery to customers at specified times generally in advance of selling seasons. Proposed production schedules are often prepared substantially in advance of the Company's initial commitment for its apparel. The Company believes that its recent growth reflects, among other factors, its ability to operate successfully within these time constraints. However, if the Company materially misjudges the market for a particular product or product group, the Company may be faced with a substantial amount of unused raw material or unsold finished goods inventory. Although the Company has not previously incurred any material losses as a result of unsold inventory, any such misjudgment could adversely affect the Company.

The Company arranges for the production of apparel with both foreign manufacturers and domestic contractors on a purchase order basis, with each order to a foreign manufacturer generally backed by an irrevocable international letter of credit. Substantially all letters of credit arranged by the Company require as a condition of release of funds to the manufacturer, among others, that an inspection certificate be signed by a representative of the Company. Accordingly, if an order is not filled by a foreign manufacturer the letter of credit does not issue and the Company does not bear the risk of liability for the goods being manufactured. The Company assumes the risk of loss on an F.O.B. basis when goods are delivered to a shipper and is insured against casualty losses arising during shipping.

As is customary in the industry, the Company has not entered into any long-term contractual arrangement with any domestic or foreign contractor or manufacturer. The Company utilized approximately 20 different foreign manufacturers in each of the fiscal years ended July 31, 1987, 1988 and 1989. In order to provide for more efficient communications and operations with certain of the larger foreign manufacturers, in addition to utilizing its South Korean branch office, the Company has historically placed orders with three of the largest manufacturers through an established buying agent located in New York City. The buying agent, under the supervision of Company personnel located in the United States and South Korea, together with the Company's South Korean office, is responsible for procuring sufficient contract production capacity from these manufacturers to meet the forecasted demand for the Company's products. For the fiscal years ended July 31, 1987, 1988 and 1989, approximately 39%, 47% and 38%, respectively, of the Company's products were produced by manufacturers working through the Company's buying agent. The Company believes that the production capacity of foreign manufacturers with which it has developed or is developing a relationship is adequate to meet the Company's production requirements for the foreseeable future. The Company believes that alternative foreign and domestic manufacturers are readily available and that the loss of any manufacturer or the buying agent would not materially adversely affect the Company's operations.

The Company's arrangements with foreign manufacturers of its apparel are subject to the usual risks of doing business abroad, including currency fluctuations, political instability and potential import restrictions. Although the Company's operations have not been materially affected by any of such factors to date, due to the significant portion of the Company's garments which are produced abroad, any significant disruption of its relationships with foreign manufacturers could adversely affect the Company's operations. In addition, since the Company negotiates its purchase orders with its foreign manufacturers in United States dollars, any weakening of the United States dollar may cause the Company's foreign manufacturers to increase the prices in United States dollars charged to the Company for its products. Virtually all of the Company's imported products and raw materials are subject to United States customs duties of approximately 6%.

Substantially all finished goods manufactured abroad are shipped to the Company's New York offices for final inspection and allocation and reshipment to customers. The goods are delivered to the Company and the customers by independent shippers, choosing the form of shipment (principally ship, truck or air) based upon customers' needs, and cost and time considerations.

Marketing and Distribution

The Company's products are sold primarily to department and specialty retail stores in the United States, although select sales are also made to cable television shopping networks and direct mail catalog companies. During the fiscal year ended July 31, 1989, the Company had a total of approximately 1,000