

FORM 10-K  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JANUARY 31, 2002

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: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:  
COMMON STOCK, \$.01 PAR VALUE.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes     No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 the Form 10-K or any amendment to this Form 10-K.

As of March 28, 2002, 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 National Market) was \$23,890,528.

The number of outstanding shares of the registrant's Common Stock as of March 28, 2002 was 6,699,654.

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 12, 2002, to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, are incorporated by reference into Part III of this Report.

## ITEM 1. BUSINESS

Unless the context otherwise requires, "G-III", "us", "we" and "our" refer to G-III Apparel Group, Ltd. and its subsidiaries. References to fiscal years refer to the year ended or ending on January 31 of that year.

### OVERVIEW

G-III designs, manufactures, imports and markets an extensive range of leather and non-leather apparel including coats, jackets, pants, skirts and other sportswear items under our own labels, licensed labels and private retail labels. Our own labels include "G-III,"(TM) "Siena Studio", (TM) "Colebrook & Co,"(TM) "JLC", (TM) "J.L. Colebrook,"(TM) and "ColeB."(TM)

The sale of licensed products is a key element of our strategy. We initiated our strategy of offering licensed product in 1993 and, between 1993 and 1999, we significantly expanded our offerings of licensed products. As a result, we have licenses with Kenneth Cole Productions to design and market a line of women's leather and woven outerwear under the Kenneth Cole New York and Reaction Kenneth Cole labels and with Nine West to design and market women's outerwear. We also secured licenses with the four major sports leagues (football, hockey, basketball and baseball) to manufacture outerwear using NFL, NHL, NBA and MLB team logos.

We have continued to expand our portfolio of licensed products during the last two years. In February 2000, we entered into a license agreement with Cole Haan to design and market men's and women's outerwear. In January 2001, we acquired certain assets of Gloria Gay Coats, LLC and entered into a license agreement with Jones Apparel Group to design and market women's wool outerwear under the Jones New York and JNY Jones New York labels. In July 2001, we entered into an expanded license with the NFL, effective April 2002, to manufacture a comprehensive line of adult outerwear. In August 2001, we entered into a license agreement to produce a men's outerwear line under the Sean John brand name. Most recently, in December 2001, we entered into a license agreement to design and market men's leather outerwear under the Timberland brand. We mutually agreed to terminate our distribution agreement for Caterpillar apparel effective December 31, 2001 and for Jones New York men's outerwear effective January 31, 2002.

We operate our business in two segments, non-licensed apparel and licensed apparel. The non-licensed apparel segment includes sales of apparel under our own brands and private label brands, as well as commission fee income received on sales that are financed by and shipped directly to our customers. The licensed apparel segment includes sales of apparel brands licensed by us from third parties. See Note L 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.

### PRODUCTS - DEVELOPMENT AND DESIGN

G-III manufactures and markets a full line of women's leather apparel and an outerwear line of men's leather apparel at a wide range of retail sales prices. Our product offerings also include textile outerwear, woolen coats, raincoats and sportswear. We sell products under our own brand names, licensed brand names and private retail labels.

G-III's non-licensed apparel consists of both men's and women's products. The Colebrook & Co., JLC and J.L. Colebrook line of women's apparel consists of moderately priced women's leather apparel that typically sells at retail prices from \$30 for sportswear items to \$250 for coats. Siena Studio, our bridge-priced line of women's leather apparel, primarily consists of jackets and skirts with retail prices from \$100 for skirts to \$600 for outerwear. Products in our men's line of leather outerwear, sold under the G-III and Colebrook labels, typically have retail prices between \$40 and \$400. Our moderately priced line of women's textile outerwear and sportswear, sold under the Colebrook & Co., JLC, J.L. Colebrook and ColeB labels has retail prices in the range of \$50 to \$130.

G-III's licensed apparel also consists of both men's and women's products.

Women's licensed apparel includes leather and textile garments which typically sell at retail prices from \$100 for sportswear items to \$2,500 for coats. Men's licensed apparel consists of leather, leather and textile combination and textile apparel that typically sells at retail prices from \$50 for sportswear items to \$2,000 for coats.

We work closely with our licensors in creating designs and styles for each licensed brand sold by us. Licensors generally must approve products to be sold under their brand names prior to production by us.

We also work with retail chains in developing product lines sold under private labels. With regard to private label sales, we meet frequently with 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 the ability to arrange for the manufacture of apparel on a reliable, expeditious and cost-effective basis.

Our in-house designers are responsible for the design and look of our products. 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 in our product offerings. We seek to design products in response to trends in consumer preferences, rather than to attempt to establish market trends and styles.

Design personnel meet regularly with our sales and merchandising departments, 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. They present sample items to us along with their evaluation of the styles expected to be in demand in the United States. We also seek input from selected customers with respect to product design. We believe that our sensitivity to the needs of our retail customers, 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.

Our arrangements with selected overseas factories for textile apparel enables us 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 we find acceptance of the product on a consumer level, we proceed with full-scale manufacturing and market introduction.

#### LEATHER AND TEXTILE APPAREL

##### MANUFACTURING

G-III's products are imported from independent manufacturers located primarily in Indonesia and China and, to a lesser extent, in South Korea, India, the Philippines, Hong Kong, Mexico and Europe. Additionally, we manufacture approximately 30% of our products at our wholly owned factory in Indonesia and partially owned factory in Northern China. Independent contractors located in the New York City area also manufacture a selected number of garments for us.

We have a branch office in Seoul, South Korea which acts as a liaison between us and various manufacturers located throughout Indonesia, China and South Korea that produce leather and woven garments for us. G-III's headquarters provides the liaison office with production orders stating the quantity, quality and types of garments to be produced, and this liaison office negotiates and places orders with one or more Indonesian, Chinese or South Korean manufacturers. In allocating production among independent suppliers, we consider a number of criteria, including quality, availability of production capacity, pricing and ability to meet changing production requirements. At January 31, 2002, the South Korean office employed 15 persons.

To facilitate better service for our textile and leather apparel customers and accommodate and control the volume of manufacturing in the Far East, we also have an office in Hong Kong. Similar to the South Korean office, the Hong Kong office acts as a liaison between G-III and the various manufacturers of textile and leather apparel located in Hong Kong and China. We utilize our

domestic and Hong Kong office employees to monitor production at each manufacturer's facility to ensure quality control,

3

compliance with our specifications and timely delivery of finished garments to our distribution facilities or customers. The Hong Kong office employed 8 persons as of January 31, 2002.

In connection with the foreign manufacture of our leather apparel, manufacturers purchase skins and necessary "submaterials" (such as linings, zippers, buttons and trimmings) according to parameters specified by us. Prior to commencing the manufacture of garments, samples of the skins and submaterials are sent to our South Korean liaison office and our New York offices for approval. Employees of the liaison office regularly inspect and supervise the manufacture of products for us in order to ensure timely delivery, maintain quality control and monitor compliance with our manufacturing specifications. They also inspect finished apparel for us.

Because of the nature of leather skins, the manufacture of leather apparel is performed manually. A pattern is used in cutting hides to panels that are assembled in the factory. All submaterials are also added at this time. Products are inspected throughout this process to insure that the design and quality specifications of the order provided by us are being maintained as the garment is assembled. After pressing, cleaning and final inspection, the garment is labeled and hung awaiting shipment. A final random inspection occurs when the garments are packed for shipment.

We arrange for the production of apparel 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 us require as a condition, among others, of release of funds to the manufacturer that an inspection certificate be signed by our representative. Accordingly, if an order is not filled, the letter of credit is not paid and we do not bear the risk of liability for the goods being manufactured. We assume the risk of loss on a F.O.B. basis when goods are delivered to a shipper and are insured against casualty losses arising during shipping.

We purchase skins and submaterials for our facility in Indonesia and skins for our partially-owned factory in China. The demand for garment-type leather has decreased over the past six months, after increasing significantly over the prior two years. The supply of garment-type leather decreased as a result of the occurrence of mad-cow and foot-and-mouth disease in Europe in 2000 and 2001. We believe we will be able to purchase a sufficient amount of leather skins to satisfy our production requirements in the fiscal year ending January 31, 2003.

As is customary in the leather 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 whom we have developed, or are developing, a relationship is adequate to meet our leather apparel production requirements for the foreseeable future. We believe that alternative foreign leather apparel manufacturers are readily available.

Our arrangements with textile manufacturers and suppliers are subject to the availability of quota and other requisite customs clearances for textile apparel and the imposition of export duties. United States customs duties on our textile apparel presently range from 5% to 30%, depending upon the type of fabric used and how the garment is constructed. We monitor duty, tariff and quota-related developments and seek to minimize our potential exposure to quota-related risks through, among other measures, geographical diversification of manufacturing sources and shifts of production among countries and manufacturers. Virtually all of our imported leather products are subject to United States Customs duties of approximately 6%.

A majority of all finished goods manufactured abroad for us are shipped to our New Jersey warehouse and distribution facility for final inspection and allocation and reshipment to customers. The goods are delivered to our customers and us by independent shippers, choosing the form of shipment (principally ship, truck or air) based upon a customer's needs, cost and time considerations.

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 2,000 customers, ranging from national and regional chains of specialty retail and department stores, whose annual purchases from us exceed \$1,000,000, to small

4

specialty stores whose annual purchases from us are less than \$1,000. Sales to the Sam's Club and Wal-Mart divisions of Wal-Mart Stores, Inc. accounted for an aggregate of 24.6% of our net sales in fiscal 2000, and 21.1% of our net sales in each of fiscal 2001 and fiscal 2002. The loss of this customer, which primarily purchases non-licensed apparel, could have a material adverse affect on our non-licensed business segment, as well as on our results of operations as a whole. No other customer accounted for more than 8% of our net sales during any of these three fiscal years.

Almost all of our sales are made in the United States. We also market our products in Canada and Europe.

Along with our foreign offices, our trading company subsidiary, Global International Trading Company, located in Seoul, Korea, assists in providing services to our customers. This office manages a sample room and assists in the procurement of finished garments. As of January 31, 2002, Global International Trading employed 21 persons.

G-III's products are sold primarily through a direct employee sales force that consisted of 47 employees as of January 31, 2002. Our principal executives are also actively involved in sales of our products. A limited amount of our products are also sold by various retail buying offices located throughout the United States. Final authorization of all sales of products is solely through our New York showroom, enabling our management to deal directly with, and be readily accessible to, major customers, as well as to more effectively control our selling operations.

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

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 provide that we are required 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 licensed product on advertising placed by us. Our license agreements generally provide that we must pay a royalty based on net sales of licensed products and that we must sell a specified minimum amount of licensed product each year in order to retain the license.

#### RAW MATERIALS

We purchase most products manufactured for us on a finished goods basis. Raw materials used in the production of our apparel are available from numerous sources. We are not aware of any manufacturer of our apparel not being able to satisfy its requirements for any required raw materials due to an inadequacy of supply.

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 are impacted by changes in meat consumption worldwide as well as by the popularity of leather products. For example, the occurrences of mad-cow and foot-and-mouth disease in Europe in 2000 and 2001 decreased the consumption of meat and the supply of leather. It also resulted in an increase in the price of leather skins in 2001.

#### LICENSING

The sale of licensed products is a key element of our strategy and we have

significantly expanded our offerings of licensed products over the last several years. We have licenses to produce products under the Kenneth Cole New York and Reaction Kenneth Cole, Nine West, Cole Haan, Jones New York, JNY Jones New York, Sean John and Timberland fashion labels. We are also licensed to produce products containing trademarks of the National Football League, National Hockey League, National Basketball Association and Major League Baseball, and many universities located in the United States.

5

We continue to seek other opportunities to enter into license agreements in order to expand our product offerings under nationally recognized labels and broaden the markets that we serve. Revenues from the sale of licensed products accounted for 42.7% of net sales during fiscal 2002 compared to 37.9% of net sales in fiscal 2001 and 41.4% of net sales in fiscal 2000.

#### SEASONALITY

Retail sales of outerwear apparel have traditionally been seasonal in nature. Although we sell our apparel products throughout the year, net sales in the months of July through November accounted for approximately 72% of our net sales in fiscal 2000, 75% of our net sales in fiscal 2001 and 74% of our net sales in fiscal 2002. The July through November time frame is expected to continue to provide a disproportionate amount of our net sales.

#### BACKLOG

A significant portion of our orders are short-term purchase orders from customers who place orders on an as-needed basis. The amount of unfilled orders at any time has not been indicative of future sales. 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 the amount of our unfilled customer orders at any time is meaningful.

#### TRADEMARKS

Several trademarks owned by us have been granted federal trademark protection through registration with the U.S. Patent and Trademark Office, including for G-III, Avalanche, J.L. Colebrook, Cayenne, JLC(& design), JLC Outerwear(& design), J.L.C. (& design), Trouble Wanted (& design), 58 Sports (& Design), and Ladies First by G-III/Carl Banks. We have applications for several additional registrations pending before the U.S. Patent and Trademark Office.

We have been granted trademark registration for G-III in France, Canada, Mexico, and European Union, for J.L. Colebrook in Germany, Canada, Mexico, France, Great Britain, Benelux and European Union and for J.L.C. (& design) and JLC (& design) in Canada. We also have several additional applications pending in the European Community and Canada.

Although we regard our trademarks as valuable assets and intend to vigorously enforce our trademark rights, we do not believe that any failure to obtain federal trademark registrations for which we have applied would have a material adverse effect on us.

#### COMPETITION AND OTHER RISKS

The apparel business is highly competitive. We have numerous competitors with respect to the sale of leather and textile apparel, including distributors that import leather apparel from abroad and domestic retailers with established foreign manufacturing capabilities. Sales of our products are affected by style, price, quality and general fashion trends. We also compete with vertically integrated apparel manufacturers that also own retail stores. In addition, we compete for supplies of raw materials and manufacturing and tanning capacity.

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

We often produce garments to hold in inventory in order to meet our

customers' delivery requirements and to be able to quickly fulfill reorders. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities with others. In addition, weak sales and resulting markdown requests from customers could have a material adverse effect on our business, results of operations and financial condition. For example, the tragic events of

6

September 11, 2001 and the unusually warm weather aggravated a retail environment that had already begun to slow down due to the economic downturn in the United States. Retailers responded to this environment with increased promotional activity which required us to grant greater allowances and discounts in order to sell our products. These factors had a material adverse effect on our net sales and gross profit for the fiscal year ended January 31, 2002.

The apparel industry is cyclical. Purchases of outerwear and other apparel tend to decline during recessionary periods and sales of our products may decline at other times as well for a variety of reasons, including changes in fashion trends and the introduction of new products or pricing changes by our competitors. Uncertainties regarding future economic prospects could affect consumer-spending habits and have an adverse effect on our results of operations. Uncertainty with respect to consumer spending as a result of economic downturn during fiscal 2002 caused our customers to slow the pace of reorders during the seasonal peak of our business. This had a material adverse effect on our results of operations.

We are dependent on Morris Goldfarb and other key personnel. The loss of the services of Mr. Goldfarb and any negative market or industry perception arising from the loss of his services could have a material adverse effect on us and the price of our shares. Our other executive officers have substantial experience and expertise in our business and have made significant contributions to our success. The unexpected loss of services of one or more of these individuals could adversely affect us.

Our arrangements with foreign manufacturers are subject to the usual risks of doing business abroad, including currency fluctuations, political instability and potential import restrictions, duties and tariffs. In 2000 and 2001, Indonesia, where we operate our own factory, experienced significant currency devaluation and political instability. Currently, we do not maintain insurance for the potential lost profits due to disruptions of our overseas factories. South Korea has also experienced currency devaluation. Although we have not been materially adversely affected by any of these factors to date, due to the significant portion of our products that are produced abroad, political and/or economic instability in Indonesia, South Korea or elsewhere, or any substantial disruption in the business of foreign manufacturers or our relationships with these manufacturers could materially adversely affect our financial condition and results of operations.

A majority of our products are imported from independent foreign manufacturers. The failure of these manufacturers to ship products to us in a timely manner or to meet required quality standards could cause us to miss the delivery date requirements of our customers. The failure to make timely deliveries could cause customers to cancel orders, refuse to accept delivery of product or demand reduced prices, any of which could have a material adverse effect on our business. We are also dependent on these manufacturers for compliance with our policies and the policies of our licensors and customers regarding labor practices. In addition, since we negotiate our purchase orders with foreign manufacturers in United States dollars, if the value of the United States dollar against local currencies were to go down, these manufacturers might increase the United States dollar prices charged to us for products.

Legislation that would restrict the importation or increase the cost of textiles and apparel produced abroad has been periodically introduced in Congress. The enactment of new legislation or international trade regulation, or executive action affecting international textile or trade agreements, could adversely affect our business.

We are dependent on sales of licensed product for a substantial portion of our revenues. In fiscal 2002, revenues from the sale of licensed product accounted for 42.7% of our net sales. We are generally required to achieve specified minimum net sales, pay specified royalties and advertising payments and receive prior approval of the licensor as to all elements of a garment

prior to production. If we do not satisfy any of these requirements, a licensor may have the right to terminate our license. Even if we comply with all the terms of a licensing agreement, we cannot be sure that we will be able to renew an agreement when it expires.

The continued growth of our business depends on our access to sufficient funds to support our growth. Our primary source of working capital to support our growth is our existing line of credit. We have had this line of credit for over ten years and have been able to increase the maximum availability

7

under this line several times in the past few years. This line of credit was recently extended to May 31, 2005. Our growth is dependent on our ability to continue to extend and increase this line of credit. If we are unable to do so, we cannot be sure we will be able to secure alternative financing on satisfactory terms.

Fluctuations in the price, availability and quality of leather or other raw materials used by us could have a material adverse effect on our cost of goods sold and ability to meet customer demands. The outbreak of mad-cow and foot-and-mouth disease in Europe decreased the supply of leather skins in 2000 and 2001.

In addition to the factors described above, our business, including our revenues and profitability, is influenced by and subject to a number of factors that are inherently uncertain and difficult to predict including, among others: the variability of our results in any period due to the seasonal nature of the business; risks associated with consolidations, restructurings and other ownership changes in the retail industry; changes in regional, national and global economic conditions; and our ability to correctly balance the level of our finished goods, leather and other raw material commitments with actual orders.

As of March 28, 2002, Morris Goldfarb and Aron Goldfarb beneficially own an aggregate of approximately 52% of our outstanding common stock. As a result, they effectively have the ability to control the outcome on all matters requiring stockholder approval including, but not limited to, the election of directors and any merger, consolidation or sale of all or substantially all of our assets. They also have the ability to control our management and affairs.

#### EMPLOYEES

As of January 31, 2002, we had 344 full-time employees, of whom 99 worked in executive, administrative or clerical capacities, 128 worked in design and manufacturing, 68 worked in warehouse facilities, 47 worked in sales and 2 worked in our retail outlet store. 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.

We are a party to an agreement with the Amalgamated Clothing and Textile Workers Union, covering approximately 53 full-time employees as of January 31, 2002. This agreement, which is currently in effect through October 31, 2002, automatically renews on an annual basis thereafter unless terminated by us or the Union prior to September 1 of that year.

8

#### EXECUTIVE OFFICERS OF THE REGISTRANT

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

NAME	AGE	POSITION	EXECUTIVE OFFICER OR SIGNIFICANT EMPLOYEE SINCE
----	---	-----	-----
Morris Goldfarb	51	Co-Chairman of the Board, Chief Executive Officer, Director	1974



Aron Goldfarb	79	Co-Chairman of the Board, Director	1974
Jeanette Nostra-Katz	49	President	1981
Wayne S. Miller	44	Senior Vice President, Chief Financial Officer, Treasurer and Secretary	1998
Carl Katz	61	Executive Vice President of Siena, Director	1981
Frances Boller-Krakauer	36	Vice President -- Men's Division of G-III Leather Fashions	1993
Deborah Gaertner	47	Vice President -- Women's Sales Division of G-III Leather Fashions	1989
Keith Sutton Jones	53	Vice President -- Foreign Manufacturing of G-III Leather Fashions	1989
Philip H. Litwinoff	52	Vice President and Corporate Controller	2001

Morris Goldfarb is our Co-Chairman of the Board and Chief Executive, as well as one of our directors. Until April 1997, Mr. Goldfarb also served as our President. He has served as either President or Vice President of our wholly owned subsidiary, G-III Leather Fashions, Inc., since its formation in 1974. Mr. Goldfarb is responsible for foreign manufacturing, marketing, merchandising and finance. He also has overall responsibility for developing selling programs, customer relations and administration. Mr. Goldfarb is also a director of Lakes Gaming, Inc. and Wilsons The Leather Experts.

Aron Goldfarb is Co-Chairman of the Board, a director and our founder. Mr. Goldfarb served as either President or Vice President of G-III Leather Fashions and as a Vice President of our Siena Leather Ltd. subsidiary from their respective formations until 1994 and, since January 1995, has served as a consultant to us.

Jeanette Nostra-Katz became our President in April 1997. She had been our Executive Vice President since March 1992. Ms. Nostra-Katz's responsibilities for the Company include sales, marketing, public relations, and operations as they relate to sales. Since August 1989, she has served as an Executive Vice President of Siena. We have employed Ms. Nostra-Katz since 1981.

Wayne S. Miller has been our Chief Financial Officer and Senior Vice President since April 1998. In November 1998, Mr. Miller was also elected Secretary and Treasurer. Mr. Miller served as a consultant to Marketing Management Group from September 1997 to April 1998. From June 1994 to September 1997, Mr. Miller was Executive Vice President, Chief Financial Officer and Secretary of Bernard Chau, Inc.

Carl Katz has been an Executive Vice President of Siena since August 1989 and, from 1981 until then, was a Vice President of Siena. Mr. Katz supervises the merchandising and designing, as well as production and pattern and sample making, for the Cole Haan and Sports Licensing divisions. Mr. Katz will be retiring during the early part of 2002. Mr. Katz is also one of our directors.

9

Frances Boller-Krakauer is Vice President -- Men's Division of G-III Leather Fashions and has held this position since February 1993. Ms. Boller-Krakauer's responsibilities include sales and merchandising for all men's products lines. Prior to February 1993, she held various sales positions in the Men's Division. Ms. Boller-Krakauer joined us in March 1989.

Deborah Gaertner is the Vice President -- Women's Non-Branded Sales of G-III Leather Fashions and has held this position since March 1992. Ms. Gaertner is responsible for sales and marketing of our women's non-licensed apparel lines. She previously served as Vice President, Imports from June 1989 until March 1992, coordinating production and merchandising.

Keith Sutton Jones is the Vice President -- Foreign Manufacturing of G-III Leather Fashions and has been employed in this capacity since January 1989. His responsibilities include coordinating and controlling all aspects of our Far Eastern sourcing and production.

Philip H. Litwinoff has been our Vice President and Corporate Controller since April 2001. He had previously served as our Controller since November 1995.

Aron Goldfarb and Morris Goldfarb are father and son, respectively. Carl Katz and Jeanette Nostra-Katz are married to each other.

ITEM 2. PROPERTIES

Our executive offices, sales showrooms and support staff are located at 512 Seventh Avenue, which is one of the leading outerwear apparel buildings in New York City. We lease an aggregate of approximately 42,500 square feet in this building through March 31, 2011 at a current aggregate annual rent of approximately \$1.2 million.

Our warehouse and distribution facility, located in Secaucus, New Jersey, contains approximately 107,000 square feet, plus a 3,000 square foot retail outlet store. This facility is leased through February 2005 at an annual rent increasing to \$643,000. The lease provides for one option renewal term of five years with a rental for the renewal term based on market rates. A majority of our finished goods are shipped to the New Jersey distribution facilities for final reshipment to customers.

We maintain off-site storage at 345 West 37th Street in New York City. This property is leased pursuant to a sublease from a corporation owned by Morris Goldfarb and Aron Goldfarb for which we pay monthly rent, plus real estate taxes. For fiscal 2002, the total payments for this building were approximately \$277,000 and for fiscal 2001, the total payments for this building were approximately \$341,000. We sublet a portion of the 345 West 37th Street building to different tenants. The sublease terms end in February 2003. The aggregate annual rental paid to us under these subleases is approximately \$196,000.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

10

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET FOR COMMON STOCK

Our Common Stock is quoted on the Nasdaq Stock Market under the trading symbol "GIII". The following table sets forth, for the fiscal periods shown, the high and low sales prices for our Common Stock, as reported by the Nasdaq Stock Market.

FISCAL 2001 -----	HIGH PRICES -----	LOW PRICES -----
Fiscal Quarter ended April 30, 2000	\$ 4.94	\$ 2.94
Fiscal Quarter ended July 31, 2000	5.81	4.13
Fiscal Quarter ended October 31, 2000	7.50	5.13
Fiscal Quarter ended January 31, 2001	7.50	4.88
FISCAL 2002 -----		
Fiscal Quarter ended April 30, 2001	\$ 8.94	\$ 6.50
Fiscal Quarter ended July 31, 2001	10.40	7.25
Fiscal Quarter ended October 31, 2001	10.30	5.80
Fiscal Quarter ended January 31, 2002	7.34	4.75
FISCAL 2003 -----		
Fiscal Quarter ending April 30, 2002 (through March 28, 2002)	\$ 8.33	\$ 6.25

The last sales price of our Common Stock as reported by the Nasdaq Stock Market on March 28, 2002 was \$8.00 per share.

On March 28, 2002, there were 63 holders of record and, we believe, approximately 2,000 beneficial owners of our Common Stock.

#### DIVIDEND POLICY

Our Board of Directors currently intends to follow a policy of retaining any earnings to finance the continued growth and development of our 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 our financial condition, results of operations and other factors deemed relevant by the Board. The agreements related to the financing of the building at 345 West 37th Street offices prohibit the payment of cash dividends without consent. In addition, our loan agreement prohibits the payment of cash dividends without the consent of the banks. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" in Item 7 below.

11

#### ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data set forth below as of and for the years ended January 31, 1998, 1999, 2000, 2001 and 2002 have been derived from our audited consolidated financial statements. Our audited financial statements as of January 31, 1998, 1999, and 2000, and for the years ended January 31, 1998 and 1999 are not included in this filing. The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" (Item 7 of this Report) and the audited consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K.

(In thousands, except share and per share data)

	YEAR ENDED JANUARY 31, (1)				
	1998	1999	2000	2001	2002
<b>INCOME STATEMENT DATA:</b>					
Net sales	\$ 120,136	\$ 121,644	\$ 149,632	\$ 187,057	\$ 201,426
Cost of goods sold	91,559	95,393	110,710	136,099	158,160
Gross profit	28,577	26,251	38,922	50,958	43,266
Selling, general & administrative expenses	23,787	27,698	28,145	29,860	35,814
Unusual or non-recurring charge		(463)	1,200	(643)	
Operating profit (loss)	4,790	(984)	9,577	21,741	7,452
Interest expense	1,534	2,115	1,857	2,839	3,577
Income (loss) before minority interest and income taxes	3,256	(3,099)	7,720	18,902	3,875
Minority interest	449	1,378	1,994	(312)	
Income (loss) before income taxes	3,705	(1,721)	9,714	18,590	3,875
Income taxes (benefit)	906	(541)	3,934	7,436	1,511
Net income (loss)	\$ 2,799	\$ (1,180)	\$ 5,780	\$ 11,154	\$ 2,364
Basic earnings (loss) per share	\$ 0.43	\$ (0.18)	\$ 0.86	\$ 1.70	\$ 0.35
Weighted average shares outstanding -- basic	6,486,899	6,539,128	6,712,051	6,561,537	6,676,270
Diluted earnings (loss) per share	\$ 0.40	\$ (0.18)	\$ 0.84	\$ 1.57	\$ 0.32
Weighted average shares outstanding -- diluted	7,051,099	6,539,128	6,848,433	7,120,986	7,373,723

AS OF JANUARY 31, (1)

	1998	1999	2000	2001	2002
BALANCE SHEET DATA:					
Working capital	\$ 29,296	\$ 27,237	\$ 31,155	\$ 45,362	\$ 46,046
Total assets	46,746	44,870	59,601	71,952	67,701
Short-term debt	3,734	2,893	3,427	1,580	906
Long-term debt, excluding current portion	352	180	64	0	203
Total stockholders' equity	35,686	35,575	41,033	52,069	54,719

(1) Certain amounts have been reclassified to conform to the 2002 presentation.

12

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statements in this Annual Report on Form 10-K concerning our business outlook or future economic performance; anticipated revenues, expenses or other financial items; product introductions and plans and objectives related thereto; and statements concerning assumptions made or expectations as to any future events, conditions, performance or other matters, are "forward-looking statements" as that term is defined under the Federal securities laws. Forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those stated in such statements. Such risks, uncertainties and factors include, but are not limited to, reliance on foreign manufacturers, risks of doing business abroad, the nature of the apparel industry, including changing consumer demand and tastes, seasonality, customer acceptance of new products, the impact of competitive products and pricing, dependence on existing management, general economic conditions, as well as other risks detailed in our filings with the Securities and Exchange Commission, including this Annual Report on Form 10-K.

The following presentation of management's discussion and analysis of our financial condition and results of operations should be read in conjunction with our Financial Statements, the accompanying notes and other financial information appearing elsewhere in this Report.

References to fiscal years refer to the year ended or ending January 31 of that year.

#### USE OF ESTIMATES AND CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the period. Significant accounting policies employed by us, including the use of estimates, are presented in the Notes to Consolidated Financial Statements.

Critical accounting policies are those that are most important to the portrayal of our financial condition and the results of operations, and require management's most difficult, subjective and complex judgments, as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our most critical accounting policies, discussed below, pertain to revenue recognition, accounts receivable and inventories. In applying these policies, management must use some amounts that are based upon its informed judgments and best estimates. On an on-going basis, we evaluate our estimates, including those related to customer allowances and discounts, product returns, bad debts and inventories. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

#### Revenue Recognition

We recognize a sale at the time merchandise is shipped. We also act as an agent in brokering sales between our customers and overseas factories. On these transactions, we recognize commission fee income on the sales that are financed by and shipped directly to our customers. This income is also recorded at the time the merchandise is shipped. Net sales take into account reserves for returns and allowances which are based on current and historical information and trends. Sales are reported net of returns, discounts and allowances. Discounts, allowances and estimates of future returns are recognized when the related revenues are recognized.

#### Accounts Receivable

In the normal course of business, we extend credit to our customers based on pre-defined credit criteria. Accounts receivable, as shown on our consolidated balance sheet, are net of allowances and anticipated discounts. An allowance for doubtful accounts is determined through analysis of the aging of accounts receivable at the date of the financial statements, assessments of collectability based on historical trends and an evaluation of the impact of economic conditions. An allowance for discounts is based on reviews of open invoices where concessions have been extended to customers. Costs associated with

13

allowable customer advertising expenses are charged to advertising expenses in the selling, general and administrative section of the Statements of Income. Costs associated with markdowns and other operational charge backs, net of historical recoveries, are included as a reduction of net sales. All of these are part of the allowances included in accounts receivable. We reserve against known charge backs, as well as for an estimate of potential future customer deductions. These provisions result from divisional seasonal negotiations, as well as historical deduction trends, net of historical recoveries and the evaluation of current market conditions.

#### Inventories

Inventories are stated at lower of cost (using the first-in, first-out method) or market. We continually evaluate the composition of our inventories, assessing slow-turning, ongoing product as well as fashion product from prior seasons. Market value of distressed inventory is valued based on historical sales trends of our individual product lines, the impact of market trends and economic conditions, and the value of current orders relating to the future sales of this type of inventory.

#### RESULTS OF OPERATIONS

The following table sets forth selected operating data as a percentage of our net sales for the fiscal years indicated below:

	2000	2001	2002
	----	----	----
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	74.0	72.8	78.5
	-----	-----	-----
Gross profit	26.0	27.2	21.5
Selling, general and administrative expenses	18.8	15.9	17.8
Unusual or non-recurring charge	0.8	( 0.3)	
	-----	-----	-----
Operating profit	6.4	11.6	3.7
Interest expense	1.2	1.5	1.8
	-----	-----	-----
Income before minority interest and income taxes	5.2	10.1	1.9
Minority interest	1.3	( 0.2)	
	-----	-----	-----
Income before income taxes	6.5	9.9	1.9
Income taxes	2.6	3.9	0.7
	-----	-----	-----
Net income	3.9	6.0	1.2
	=====	=====	=====

## General

We operate our business in two segments, non-licensed apparel and licensed apparel. The non-licensed apparel segment includes sales of apparel under our own brands and private label brands, as well as commission fee income received on sales that are financed by and shipped directly to our customers. The licensed apparel segment includes sales of apparel brands licensed by us from third parties. See Note L to our Consolidated Financial Statements for financial information with respect to these segments.

The tragic events of September 11, 2001 aggravated a retail environment that had already begun to slow down due to the economic downturn in the United States. The resulting uncertainty with respect to consumer spending caused our customers to slow the pace of reorders during what is the seasonal peak of our business. Retailers responded to this environment with increased promotional activity which required us to grant greater allowances and discounts in order to sell our products. These factors, as well as the unseasonably warm weather that continued throughout the fall and winter seasons had a negative effect on our results of operations for fiscal 2002.

During fiscal 2000, together with Black Entertainment Television ("BET"), our joint venture partner, we decided to discontinue the BET Design Studio joint venture. We had originally entered into the joint

14

venture with BET in April 1997. We owned 50.1% of this joint venture and, accordingly, its entire results of operations were consolidated with our results of operations. The interest of BET in the joint venture was reflected in the "Minority Interest" line item in our financial statements. Net of BET's interest, we incurred losses from this joint venture of approximately \$2.0 million (inclusive of a \$802,000 charge) in fiscal 2000. The joint venture company was dissolved effective January 31, 2001 and our financial statements for fiscal 2001 include a \$322,000 credit (net of minority interest) representing a reversal of the remainder of the fiscal 2000 charge following the disposition of the remaining assets and liabilities of this joint venture.

Year ended January 31, 2002 ("fiscal 2002") compared to year ended January 31, 2001 ("fiscal 2001")

Net sales increased to \$201.4 million in fiscal 2002 from \$187.1 million in fiscal 2001. Net sales increased as a result of increased sales of licensed apparel. Net sales of licensed apparel increased by 21.3% to \$86.0 million in fiscal 2002 from \$70.9 million in fiscal 2001. Net sales of non-licensed apparel were \$115.4 million in fiscal 2002 compared to \$116.2 million in fiscal 2001. Sales of licensed apparel constituted 42.7% of our net sales in fiscal 2002 compared to 37.9% of our net sales in fiscal 2001. The increase in sales of licensed apparel was primarily attributable to the addition of our license with Jones New York to produce and sell women's wool outerwear under the Jones New York and JNY Jones New York labels.

Gross profit decreased to \$43.3 million in fiscal 2002 from \$51.0 million in fiscal 2001. Commission fee income, for which there is no related cost of goods sold, was \$3.2 million in fiscal 2002 compared to \$6.2 million in fiscal 2001. As a percentage of net sales, gross profit was 21.5% in fiscal 2002 compared to 27.2% in fiscal 2001.

Gross profit for licensed apparel was \$20.5 million in fiscal 2002, or 23.8% of net sales of licensed apparel, compared to \$21.1 million in fiscal 2001, or 29.8% of net sales of licensed apparel. Gross profit for non-licensed apparel was \$22.8 million in fiscal 2002, or 19.7% of net sales of non-licensed apparel, compared to \$29.8 million in fiscal 2001, or 25.7% of net sales of non-licensed apparel. The decrease in the gross profit margin percentage for non-licensed apparel was partly attributable to commission fee income that was \$3.0 million lower in fiscal 2002. The gross profit margin percentages for both licensed and non-licensed apparel were also negatively impacted by an increase in our inventory reserve reflecting the effect of excess unsold inventory (\$1.5 million for non-licensed and \$500,000 for licensed apparel). In addition, the gross profit percentages for both licensed and non-licensed apparel were negatively impacted by higher allowances and discounts necessary to sell products into the sluggish retail market.

Selling, general and administrative expenses increased to \$35.8 million, or 17.8% of net sales, in fiscal 2002 from \$29.9 million, or 15.9% of net

sales, in fiscal 2001. These increases resulted primarily from increased advertising expenses (\$1.3 million), salary expenses (\$949,000), facilities expenses (\$685,000), and expenses (\$3.5 million) relating to the start-up of the Cole Haan, Sean John, and Jones New York divisions. To reduce our expenses, we terminated 15 employees in October 2001, with expected annualized cost savings of approximately \$1.1 million. We do, however, expect that selling, general and administrative expenses will continue to increase in fiscal 2003 as several of our new divisions that operated for only part of fiscal 2002 will be in operation for all of fiscal 2003.

Interest expense was \$3.6 million in fiscal 2002 compared to \$2.8 million in fiscal 2001. The increase in interest expense resulted primarily from increased borrowings to support higher inventory investments, partially offset by lower interest rates.

As a result of the foregoing, we had income before income taxes of \$3.9 million in fiscal 2002 compared to income before income taxes of \$18.6 million in fiscal 2001.

Income taxes were \$1.5 million in fiscal 2002 compared to \$7.4 million in fiscal 2001. Our effective tax rate for fiscal 2002 was 39.0% compared to 40.0% in fiscal 2001. The tax rate in fiscal 2002 benefited from the implementation of a strategic tax plan which reduced our effective state income tax rate. The tax rate in fiscal 2001 included benefits from remaining net operating loss carry forwards for state income tax purposes.

15

We had net income of \$2.4 million, or \$.32 per share on a diluted basis, in fiscal 2002 compared to net income of \$11.2 million, or \$1.57 per share on a diluted basis, in fiscal 2001.

Year ended January 31, 2001 ("fiscal 2001") compared to year ended January 31, 2000 ("fiscal 2000")

Net sales were \$187.1 million in fiscal 2001 compared to \$149.6 million in fiscal 2000. Net sales increased as a result of increased sales of both licensed and non-licensed apparel. Net sales of licensed apparel increased by 14.5% to \$70.9 million in fiscal 2001 from \$61.9 million in fiscal 2000. Net sales of non-licensed apparel increased by 32.5% to \$116.2 million in fiscal 2001 from \$87.7 million in fiscal 2000 as a result of increased sales to our existing customers. Sales of licensed apparel constituted 37.9% of our net sales in fiscal 2001 compared to 41.4% of our net sales in fiscal 2000.

Gross profit was \$51.0 million in fiscal 2001 compared to \$38.9 million in fiscal 2000. Commission fee income, for which there is no related cost of goods sold, was \$6.2 million in fiscal 2001 compared to \$3.6 million in fiscal 2000. As a percentage of net sales, gross profit was 27.2% in fiscal 2001 compared to 26.0% in fiscal 2000.

Gross profit for licensed apparel was \$21.1 million in fiscal 2001 compared to \$17.8 million in fiscal 2000, or 29.8% of net sales of licensed apparel in fiscal 2001 compared to 28.8% of net sales of licensed apparel in fiscal 2000. The higher gross profit margin percentage for licensed apparel in fiscal 2001 was due to increased sales of higher gross profit margin products. Gross profit for non-licensed apparel was \$29.8 million in fiscal 2001 as compared to \$21.1 million in fiscal 2000, or 25.7% of net sales of non-licensed apparel in fiscal 2001 compared to 24.1% of net sales of non-licensed apparel in fiscal 2000. The increase in the gross profit margin percentage for non-licensed apparel was primarily attributable to higher commission fee income.

Selling, general and administrative expenses were \$29.9 million in fiscal 2001 compared to \$28.1 million in fiscal 2000. Expenses in fiscal 2000 included \$2.7 million relating to the BET Design Studio joint venture that was discontinued in November 1999 and the reversal of a \$463,000 provision relating to the uncertainty of our Indonesian assets. We decided that this reserve was no longer required as the Indonesian economy had stabilized during the fourth quarter of fiscal 2000. Excluding last year's BET Design Studio expenses and the reversal of the provision for the Indonesian assets, our selling, general and administrative expenses increased approximately \$3.9 million compared to last year. These increases primarily result from higher bonuses (\$1.5 million), increased salaries (\$1.0 million), and expenses (\$1.4 million) relating to the start-up of the Cole Haan, Caterpillar and Jones New York divisions. Excluding

the BET Design Studio expenses and the Indonesian reversal in the prior year, selling, general and administrative expenses were 15.9% of net sales in fiscal 2001 compared to 17.6% in the prior year as we were able to better leverage our expenses over increased sales.

The dissolution of BET Design Studio was completed as of January 31, 2001. Of the \$1.2 million recorded in fiscal 2000 as a non-recurring charge, \$643,000 (\$322,000, net of minority interest) remained following the disposition of the remaining assets and liabilities of this joint venture. This remainder was reversed and credited to non-recurring charge in fiscal 2001.

Interest expense was \$2.8 million in fiscal 2001 compared to \$1.9 million in fiscal 2000. The increase in interest expense resulted primarily from higher inventory levels in response to increased customer orders and higher interest rates.

As a result of the foregoing, we had income before income taxes of \$18.6 million in fiscal 2001 compared to income before income taxes of \$9.7 million in fiscal 2000.

Income taxes were \$7.4 million in fiscal 2001 compared to \$3.9 million in fiscal 2000. Our effective tax rate for fiscal 2001 was 40.0% compared to 40.5% in fiscal 2000. The tax rate in fiscal 2001 benefited from the utilization of foreign net operating loss carry forwards. The tax rate in fiscal 2000 included benefits from remaining net operating loss carry forwards for state income tax purposes.

16

We had net income of \$11.2 million, or \$1.57 per share on a diluted basis, in fiscal 2001 compared to net income of \$5.8 million, or \$.86 per share on a diluted basis, in fiscal 2000.

#### LIQUIDITY AND CAPITAL RESOURCES

Our loan agreement, which was recently extended to May 31, 2005, is a collateralized working capital line of credit with six banks that provides for a maximum line of credit in amounts that range from \$45 million to \$85 million at specific times during the year. The line of credit provides for maximum direct borrowings ranging from \$30 million to \$72 million during the year. The balance of the credit line may be used for letters of credit. All amounts available for borrowing are subject to borrowing base formulas and overadvances specified in the agreement.

Direct borrowings under the line of credit bear interest at our option at either the prevailing prime rate (4.75% at April 1, 2002) or LIBOR plus 225 basis points (4.28% at April 1, 2002). The loan agreement requires us, among other covenants, to maintain specified earnings and tangible net worth levels, and prohibits the payment of cash dividends. We were not in compliance with the covenants relating to earnings before interest, taxes, depreciation and amortization ("EBITDA") and tangible net worth for the fiscal year ended January 31, 2002. On March 18, 2002, we received a waiver from our lenders relating to these covenants.

The amount borrowed under the line of credit varies based on our seasonal requirements. The maximum amount outstanding (i.e., open letters of credit, bankers acceptances and direct borrowings) under our loan agreement was approximately \$44.9 million during fiscal 2000, \$68.0 million during fiscal 2001, and \$82.5 million during fiscal 2002. As of January 31, 2002, there were no direct borrowings, no banker's acceptances and \$2.6 million of contingent liability under open letters of credit. As of January 31, 2001, there were no direct borrowings, no bankers' acceptances and \$10.4 million of contingent liability under open letters of credit.

PT BaliHides, our Indonesian subsidiary, has a separate credit facility with an Indonesian bank. The notes payable under this facility represent maximum borrowings as of January 31, 2002 of approximately \$800,000. The loan is secured by the property, plant, and equipment of this subsidiary.

We used \$3.8 million of cash in our operating activities in fiscal 2002 resulting primarily because our net income of \$2.4 million and a decrease of \$5.3 million in inventories was more than offset by a decrease of \$5.2 million in accounts payable and accrued expenses, an increase of \$2.6 million in accounts receivable and an increase of \$2.4 million in the deferred income tax



benefit. We had \$2.4 million of cash provided by operating activities in fiscal 2001 resulting primarily from net income of \$11.2 million, a decrease of \$5.4 million in accounts receivable and an increase of \$5.0 million in accounts payable and accrued expenses that were partially offset by an increase of \$19.0 million in inventories. In addition, our purchase of certain assets of Gloria Gay Coats, LLC in January 2001 included \$2.3 million of inventory. Our inventories increased in fiscal 2001 primarily due to an increase in raw materials inventory as a result of purchases of leather skins to meet sales volumes that were anticipated to be higher in fiscal 2002. We had \$6.9 million of cash provided by operating activities in fiscal 2000 resulting primarily from our net income of \$5.8 million.

We utilized \$2.7 million of cash in investing activities during fiscal 2002 primarily to pay an earn-out of \$1.3 million in connection with the acquisition of certain assets of Gloria Gay and for capital expenditures of \$1.2 million. We utilized \$4.2 million of cash in investing activities during fiscal 2001 primarily for \$3.4 million (including \$2.3 million of inventory) in connection with the purchase of certain assets of Gloria Gay and \$852,000 for capital expenditures. We used \$1.0 million of cash in fiscal 2000 for capital expenditures. Historically, our business has not required significant capital expenditures. Capital expenditures were used primarily for new computer software, additional computer upgrades, leasehold improvements, and furniture, fixtures and equipment. In addition, capital expenditures include \$277,000 in fiscal 2001 for the expansion of our Indonesian factory.

We used \$323,000 of cash in during fiscal 2002 and \$3.5 million of cash during fiscal 2001 in financing activities. Financing activities provided \$1.4 million of cash in fiscal 2000. In fiscal 2002, we used \$700,000 to reduce our PT BaliHides' notes payable. This was partially offset by new capital lease obligations.

17

During fiscal year 2001, we repaid \$1.8 million of debt related to BET Design Studio. In addition, BET's prior investment of \$1.3 million in BET Design Studio was eliminated. We used \$540,000 in fiscal 2001 and \$430,000 in fiscal 2000 to purchase shares of our common stock on the open market.

We believe that our cash on hand and cash generated by operations, together with the funds available under our loan agreement, will be sufficient to meet our capital and operating requirements through fiscal 2003.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

##### IMPACT OF INFLATION AND FOREIGN EXCHANGE

Our results of operations for the periods discussed have not been significantly affected by inflation or foreign currency fluctuation. We negotiate our purchase orders with foreign manufacturers in United States dollars. Thus, notwithstanding any fluctuation in foreign currencies, our cost for any purchase order is not subject to change after the time the order is placed. However, if the value of the United States dollar against local currencies were to decrease, manufacturers might increase their United States dollar prices for products.

##### INTEREST RATE EXPOSURE

We are subject to market risk from exposure to changes in interest rates relating primarily to our line of credit. We borrow under the line of credit to support general corporate purposes, including capital expenditures and working capital needs. All of our debt is short-term with variable rates. We do not expect changes in interest rates to have a material adverse effect on income or cash flows in fiscal 2003.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements and supplementary data required pursuant to this Item begin on page F-1 of this Report.

#### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

### PART III

#### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained under the heading "Proposal No. 1 -- Election of Directors" in our definitive Proxy Statement (the "Proxy Statement") relating to our Annual Meeting of Stockholders to be held on or about June 12, 2002, to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934 with the Securities and Exchange Commission is incorporated herein by reference. For information concerning our executive officers and other significant employees, see "Business-Executive Officers of the Registrant" in Item 1 above of this Report.

#### ITEM 11. EXECUTIVE COMPENSATION

The information contained under the heading "Executive Compensation" in our Proxy Statement is incorporated herein by reference.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained under the heading "Security Ownership of Common Stock by Certain Stockholders and Management" in our Proxy Statement is incorporated herein by reference.

18

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained under the heading "Certain Relationships and Related Transactions" in our Proxy Statement is incorporated herein by reference.

19

### PART IV

#### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

- (a)
1. Financial Statements.
  2. Financial Statement Schedules.

The Financial Statements and Financial Statement Schedules are listed in the accompanying index to financial statements beginning on page F-1 of this report. All other schedules, for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, are shown in the financial statements or are not applicable and therefore have been omitted.

3. Exhibits:
  - 3.1 Certificate of Incorporation.(1)
  - 3.2 By-Laws, as amended, of G-III Apparel Group, Ltd. (the "Company").(6)
  - 10.1 Employment Agreement, dated February 1, 1994, between the Company and Morris Goldfarb.(4)
  - 10.1(a) Amendment, dated October 1, 1999, to the Employment Agreement, dated February 1, 1994, between the Company and Morris Goldfarb.(10)
  - 10.3 Sixth Amended and Restated Loan Agreement, dated April 29, 2002, by and among G-III Leather Fashions, Inc. ("G-III"), the banks signatories thereto (the "Banks"), and Fleet Bank, N.A. ("Fleet Bank"), as Agent.
  - 10.6 Lease, dated September 21, 1993, between Hartz Mountain Associates and the Company.(3)

- 10.6(a) Lease renewal, dated May 27, 1999, between Hartz Mountain Associates and the Company.(11)
- 10.7 Lease, dated June 1, 1993, between 512 Seventh Avenue Associates ("512") and the Company.(4)
- 10.7(a) Lease amendment, dated July 1, 2000, between 512 and the Company.(11)
- 10.8 Lease, dated January 31, 1994, between 512 and the Company.(5)
- 10.8(a) Lease amendment, dated July 1, 2000, between 512 the Company.(11)
- 10.10 G-III Apparel Group, Ltd. 1989 Stock Option Plan, as amended.(4)
- 10.11 G-III Apparel Group, Ltd. Stock Option Plan for Non-Employee Directors.(2)
- 10.12 G-III Apparel Group, Ltd. 1997 Stock Option Plan.(7)
- 10.13 Letter Agreement, dated December 2, 1998, between the Company and Aron Goldfarb.(8)
- 10.14 G-III Apparel Group, Ltd. 1999 Stock Option Plan for Non-Employee Directors.(10)
- 21 Subsidiaries of the Company.
- 23 Consent of Ernst & Young LLP, dated April 26, 2002.
- 23.1 Consent of Grant Thornton LLP, dated April 26, 2002.

20

(b) Reports on Form 8-K:

None.

- 
- 1/ Previously filed as an exhibit to the Company's Registration Statement on Form S-1 (no. 33-31906), which exhibit is incorporated herein by reference.
  - 2/ Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1991, which exhibit is incorporated herein by reference.
  - 3/ Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1992, which exhibit is incorporated herein by reference.
  - 4/ Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1994, which exhibit is incorporated herein by reference.
  - 5/ Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995, which exhibit is incorporated herein by reference.
  - 6/ Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1997, which exhibit is incorporated herein by reference.
  - 7/ Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1997, which exhibit is incorporated herein by reference.
  - 8/ Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1999, which exhibit is incorporated herein by reference.

- 9/ Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 1999, which exhibit is incorporated herein by reference.
- 10/ Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2000, which exhibit is incorporated herein by reference.
- 11/ Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2001, which exhibit is incorporated herein by reference.

Exhibits have been included in copies of this Report filed with the Securities and Exchange Commission. We will provide, without charge, a copy of these exhibits to each stockholder upon the written request of any such stockholder therefor. All such requests should be directed to G-III Apparel Group, Ltd., 512 Seventh Avenue, 35th floor, New York, New York 10018, Attention: Mr. Wayne S. Miller, Secretary.

21

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

G-III APPAREL GROUP, LTD.

By /s/ Morris Goldfarb

-----  
 Morris Goldfarb,  
 Chief Executive Officer

April 30, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
/s/ Morris Goldfarb ----- Morris Goldfarb	Director, Co-Chairman of the Board and Chief Executive Officer (principal executive officer)	April 30, 2002
/s/ Wayne Miller ----- Wayne Miller	Senior Vice President and Chief Financial Officer (principal financial and accounting officer)	April 30, 2002
/s/ Aron Goldfarb ----- Aron Goldfarb	Director and Co-Chairman of the Board	April 30, 2002
----- Lyle Berman	Director	
/s/ Thomas J. Brosig ----- Thomas J. Brosig	Director	April 30, 2002
/s/ Alan Feller ----- Alan Feller	Director	April 30, 2002
/s/ Carl Katz ----- Carl Katz	Director	April 30, 2002
/s/ Willem van Bokhorst -----	Director	April 30, 2002

Willem van Bokhorst

/s/ Sigmund Weiss Director

April 30, 2002

-----  
Sigmund Weiss

Director

-----  
George J. Winchell

22

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS  
AND FINANCIAL STATEMENT SCHEDULES  
(ITEM 14(a))

	Page
	----
Report of Independent Auditors, Ernst & Young LLP	F-2
Report of Independent Certified Public Accountants, Grant Thornton LLP	F-3
Financial Statements	
Consolidated Balance Sheets - January 31, 2002 and 2001	F-4
Consolidated Statements of Income - Years Ended January 31, 2002, 2001, and 2000	F-5
Consolidated Statements of Stockholders' Equity - Years Ended January 31, 2002, 2001, and 2000	F-6
Consolidated Statements of Cash Flows - Years Ended January 31, 2002, 2001, and 2000	F-7
Notes to Consolidated Financial Statements	F-9 to F-24
Financial Statement Schedules	
II - Valuation and Qualifying Accounts	S-1

All other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, accordingly, are omitted.

F-1

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders  
of G-III APPAREL GROUP, LTD.

We have audited the accompanying consolidated balance sheets of G-III Apparel Group, Ltd. and subsidiaries as of January 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the two years in the period ended January 31, 2002. Our audits also included the financial statement schedule listed in the index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a

reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of G-III Apparel Group, Ltd. and subsidiaries at January 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the two years in the period ended January 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

[GRAPHIC OMITTED]  
/s/ Ernst & Young LLP

New York, New York  
March 20, 2002

F-2

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders  
G-III APPAREL GROUP, LTD.

We have audited the accompanying consolidated statements of income, stockholders' equity and cash flows of G-III Apparel Group, Ltd. and subsidiaries for the year ended January 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and consolidated cash flows of G-III Apparel Group, Ltd. and subsidiaries for the year ended January 31, 2000, in conformity with accounting principles generally accepted in the United States.

We have also audited Schedule II of G-III Apparel Group, Ltd. and subsidiaries for the year ended January 31, 2000. In our opinion, this schedule presents fairly, in all material respects, the information required to be set forth therein.

[GRAPHIC OMITTED]  
/s/ GRANT THORNTON LLP

GRANT THORNTON LLP

New York, New York  
March 31, 2000

F-3

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

January 31,  
(in thousands, except share and per share amounts)

	2002	2001
	----	----
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,481	\$ 9,231
Accounts receivable, net of allowance for doubtful accounts and sales discounts of \$6,169 and \$4,242, respectively	9,922	7,286
Inventories	37,172	42,450
Deferred income taxes	5,286	3,504
Prepaid expenses and other current assets	3,749	2,481
	-----	-----
Total current assets	58,610	64,952
PROPERTY, PLANT AND EQUIPMENT, NET	3,021	2,940
DEFERRED INCOME TAXES	1,954	1,385
OTHER ASSETS	4,116	2,675
	-----	-----
	\$67,701	\$71,952
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable	\$ 800	\$ 1,500
Current maturities of obligations under capital leases	106	80
Income taxes payable	1,118	2,312
Accounts payable	5,079	7,411
Accrued expenses	5,356	8,190
Accrued nonrecurring charges	105	97
	-----	-----
Total current liabilities	12,564	19,590
OTHER LONG-TERM LIABILITIES	418	293
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock; 1,000,000 shares authorized; no shares issued and outstanding in all periods		
Common stock - \$.01 par value; authorized, 20,000,000 shares; 6,944,071 and 6,878,171 shares issued at January 31, 2002 and 2001, respectively	69	69
Additional paid-in capital	25,581	25,295
Retained earnings	30,039	27,675
	-----	-----
	55,689	53,039
Less common stock held in treasury -- 244,817 shares, at cost, at January 31, 2002 and 2001	(970)	(970)
	-----	-----
	54,719	52,069
	-----	-----
	\$67,701	\$71,952
	=====	=====

The accompanying notes are an integral part of these statements.

F-4

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME  
(in thousands, except per share amounts)

	Year ended January 31,		
	2002	2001	2000
	-----	-----	-----
Net sales	\$ 201,426	\$187,057	\$ 149,632
Cost of goods sold	158,160	136,099	110,710

Gross profit	43,266	50,958	38,922
Selling, general and administrative expenses	35,814	29,860	28,145
Unusual or non-recurring charge		(643)	1,200
Operating profit	7,452	21,741	9,577
Interest and financing charges, net	3,577	2,839	1,857
Income before minority interest and income taxes	3,875	18,902	7,720
Minority interest in (income) loss of joint venture		(312)	1,994
Income before income taxes	3,875	18,590	9,714
Income tax	1,511	7,436	3,934
NET INCOME	\$ 2,364	\$ 11,154	\$ 5,780

INCOME PER COMMON SHARE:

Basic:

Net income per common share	\$ .35	\$ 1.70	\$ .86
Weighted average number of shares outstanding	6,676	6,562	6,712

Diluted:

Net income per common share	\$ .32	\$ 1.57	\$ .84
Weighted average number of shares outstanding	7,374	7,121	6,848

The accompanying notes are an integral part of these statements.

F-5

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
Years ended January 31, 2002, 2001, and 2000  
(in thousands)

	Common stock	Additional paid-in capital	Retained earnings	Common stock held in Treasury	Total
Balance as of January 31, 1999	\$67	\$24,767	\$10,741		\$35,575
Employee stock options exercised	1	101			102
Tax benefit from exercise of options		6			6
Purchase of 118,575 shares, at cost				\$ (430)	(430)
Net income for the year			5,780		5,780
Balance as of January 31, 2000	68	24,874	16,521	(430)	41,033
Employee stock options exercised	1	240			241
Tax benefit from exercise of options		181			181
Purchase of 126,242 shares, at cost				(540)	(540)
Net income for the year			11,154		11,154
Balance as of January 31, 2001	69	25,295	27,675	(970)	52,069
Employee stock options exercised		148			148
Tax benefit from exercise of options		138			138
Net income for the year			2,364		2,364
BALANCE AS OF JANUARY 31, 2002	\$69	\$25,581	\$30,039	\$ (970)	\$54,719

The accompanying notes are an integral part of this statement.



## G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)

	Year ended January 31,		
	2002	2001	2000
Cash flows from operating activities			
Net income	\$ 2,364	\$ 11,154	\$ 5,780
Adjustments to reconcile net income to net cash (used in) provided by operating activities			
Depreciation and amortization	1,216	1,160	1,438
Minority interest		312	(1,994)
Deferred income tax benefit	(2,351)	(213)	(1,061)
Changes in operating assets and liabilities			
Accounts receivable	(2,636)	5,419	(2,092)
Inventories	5,278	(19,027)	(4,820)
Income taxes	(1,194)	(562)	3,641
Tax benefit from exercise of options	138	181	6
Prepaid expenses and other current assets	(1,268)	(1,587)	41
Other assets	(80)	1,783	(44)
Accounts payable and accrued expenses	(5,166)	5,012	5,353
Accrued non-recurring charge	(96)	(1,258)	624
Other long-term liabilities	26	34	4
	(6,133)	(8,746)	1,096
Net cash (used in) provided by operating activities	(3,769)	2,408	6,876
Cash flows from investing activities			
Capital expenditures	(1,167)	(852)	(977)
Capital dispositions	32	90	
Purchase of certain assets of Gloria Gay Coats, LLC	(1,523)	(3,402)	
Net cash used in investing activities	(2,658)	(4,164)	(977)

## G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
(in thousands)

	Year ended January 31,		
	2002	2001	2000
Cash flows from financing activities			
(Decrease) increase in notes payable, net	\$ (700)	\$ (1,811)	\$ 599
Proceeds from capital lease obligations	381		
Payments for capital lease obligations	(152)	(100)	(181)
Investment in joint venture by Minority Partner		(1,333)	1,300
Proceeds from exercise of stock options	148	241	102
Purchase of common stock for Treasury		(540)	(430)
Net cash (used in) provided by financing activities	(323)	(3,543)	1,390
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,750)	(5,299)	7,289
Cash and cash equivalents at beginning of year	9,231	14,530	7,241
Cash and cash equivalents at end of year	\$ 2,481	\$ 9,231	\$14,530

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	\$ 3,235	\$ 2,780	\$ 1,779
Income taxes	\$ 3,488	\$ 8,050	\$ 1,407

The accompanying notes are an integral part of these statements.

F-8

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2002, 2001, and 2000

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

1. Business Activity and Principles of Consolidation

As used in these financial statements, the term "Company" refers to G-III Apparel Group, Ltd. and its majority-owned subsidiaries. The Company designs, manufactures, imports, and markets an extensive range of leather and textile apparel which is sold to retailers throughout the United States. The Company also operates one retail outlet store.

The Company consolidates the accounts of all its majority-owned subsidiaries. The fiscal year-end for the Company's Indonesian subsidiary is December 31, and is included in the Company's consolidation as of that date. The effect of the intervening period is not significant to the financial results of the Company. All material intercompany balances and transactions have been eliminated.

References to fiscal years refer to the year ended or ending on January 31 of that year.

Certain reclassifications have been made to conform to the fiscal 2002 presentation.

2. Revenue Recognition

The Company recognizes sales when merchandise is shipped. In addition, the Company acts as an agent in brokering sales between its customers and overseas factories. On these transactions, the Company recognizes commission fee income on the sales that are financed by and shipped directly to its customers. This income is recorded at the time the merchandise is shipped.

3. Returns and Allowances

The Company establishes reserves for returns and allowances based on current and historical information and trends. Sales and accounts receivable have been reduced by such amounts.

4. Inventories

Inventories are stated at the lower of cost (determined by the weighted average method, which approximates the first-in, first-out method) or market.

5. Intangibles

In January 2001, the Company purchased the operations and certain assets of Gloria Gay Coats, LLC for \$3.4 million. Approximately \$1.1 million of the purchase price was allocated to a license agreement acquired in connection with this transaction. The Company is also contractually obligated to make certain contingent payments if the division meets certain performance criteria in each of the two years ending January 31, 2003. The Company recorded an additional \$1.5 million as of January 31, 2002 related to the contingent payment for the year ended January 31, 2002

and to other amounts paid in accordance with the purchase agreement. These additional payments were allocated to the license agreement. The \$2.6 million aggregate intangible is included in other assets on the balance sheet and is being amortized using the straight-line method through 2009, the life of this license.

F-9

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

January 31, 2002, 2001, and 2000

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Depreciation and Amortization

Depreciation and amortization are provided by straight-line methods in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives.

The following are the estimated lives of the Company's fixed assets:

Machinery and equipment	5 to 7 years
Transportation equipment	5 years
Furniture and fixtures	5 years
Computer equipment	2 to 5 years
Building	20 years

Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter.

The Company annually evaluates the carrying value of its long-lived assets to determine whether changes have occurred that would suggest that the carrying amount of such assets may not be recoverable based on the estimated future undiscounted cash flows of the businesses to which the assets relate. Any impairment loss would be equal to the amount by which the carrying value of the assets exceeded its fair value.

7. Income Taxes

Deferred income tax assets reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

8. Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

9. Joint Ventures

China

In fiscal 1995, the Company entered into a joint venture agreement with a Chinese entity principally to operate a factory located in the People's Republic of China. The Company invested \$542,000 to obtain a 39% interest in the joint venture company. The joint venture company has an initial term of twenty years. The Company accounts for the joint venture operations, which are not material, using the equity method of accounting.

BET Design Studio

In 1997, the Company formed BET Design Studio, LLC, a joint venture with Black Entertainment Television, Inc. ("BET"). The Company had a 50.1% ownership interest in the joint venture and included the results of the joint venture less the share of the minority interest in its consolidated financial statements. Through March 31, 2000, the Company and BET had each contributed \$3.8 million to the joint venture. In November 1999, the Company and BET agreed to cease the operations of the joint venture (see Note E). The joint venture was dissolved effective as of January 31, 2001.

## G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

January 31, 2002, 2001, and 2000

## NOTE A -- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 10. Net Income Per Common Share

Basic earnings per share amounts have been computed using the weighted average number of common shares outstanding during each year. Diluted earnings per share amounts have been computed using the weighted average number of common shares and the dilutive potential common shares outstanding during the year.

A reconciliation between basic and diluted earnings per share is as follows:

	Years ended January 31,		
	2002	2001	2000
	-----	-----	-----
	(in thousands, except per share amounts)		
Net income	\$ 2,364	\$ 11,154	\$ 5,780
	=====	=====	=====
Basic EPS:			
Basic common shares	6,676	6,562	6,712
	=====	=====	=====
Basic EPS	\$ 0.35	\$ 1.70	\$ 0.86
	=====	=====	=====
Diluted EPS:			
Basic common shares	6,676	6,562	6,712
Plus impact of stock options	698	559	136
	-----	-----	-----
Diluted common shares	7,374	7,121	6,848
	=====	=====	=====
Diluted EPS	\$ 0.32	\$ 1.57	\$ 0.84
	=====	=====	=====

Excluded from the above calculations are stock options for 6,000, 217,000, and 426,000 shares which were deemed to be antidilutive for the years ended January 31, 2002, 2001, and 2000, respectively.

## 11. Stock-Based Compensation

The Company grants stock options for a fixed number of shares to employees and directors with an exercise price equal to or greater than the fair value of the shares at the date of grant. The Company has adopted the disclosure-only provision of SFAS No. 123, "Accounting for Stock-Based Compensation," which permits the Company to account for stock option grants in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, the Company recognizes no compensation expense for the stock option grants.

## 12. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

January 31, 2002, 2001, and 2000

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. Fair Value of Financial Instruments

Based on borrowing rates currently available to the Company for bank loans with similar terms and maturities, the fair value of the Company's short-term debt approximates the carrying value. Furthermore, the carrying value of all other financial instruments potentially subject to valuation risk (principally consisting of cash, accounts receivable and accounts payable) also approximates fair value.

14. Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs charged to expense were \$4.5 million, \$2.4 million, and \$3.0 million in fiscal 2002, 2001, and 2000, respectively.

15. Foreign Currency Translation

The financial statements of subsidiaries outside the United States other than Indonesia are measured using the local currency as the functional currency. Assets and liabilities are translated at the rates of exchange at the balance sheet date. The effect of this translation for the periods presented is not significant. Income and expense items are translated at average monthly rates of exchange. Gains and losses from foreign currency transactions of these subsidiaries are included in net earnings.

The financial statements of the Indonesian subsidiary use the U.S. dollar as the functional currency and have certain transactions denominated in a local currency which are remeasured as if the functional currency were the U.S. dollar. The remeasurement of local currencies into U.S. dollars creates translation adjustments which are included in net income. Exchange gains and losses in 2002, 2001, and 2000 resulting from foreign currency transactions, including those resulting from foreign currency translation losses, have not been significant and are included in the respective statements of income.

16. Comprehensive Income

As of February 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130). The adoption of this Statement had no impact on the Company's net income or stockholders' equity. This pronouncement sets forth requirements for disclosure of the Company's comprehensive income and accumulated other comprehensive items. Comprehensive income is defined as the change in equity during a period from transactions in other events and circumstances unrelated to net income (e.g., foreign currency translation gains and losses). For the years ended January 31, 2002, 2001, and 2000, other comprehensive income was not material.

17. Future Effects of Recently Issued Accounting Pronouncements

Business Combination and Goodwill and Other Intangible Assets

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new guidelines, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized, but will be subject to annual impairment tests in accordance with these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

January 31, 2002, 2001, and 2000

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other intangible assets will continue to be amortized over their useful lives. The Company adopted these pronouncements effective as of February 1, 2002. Management does not believe that the adoption of this Statement will have a material impact on the Company's consolidated results of operations and financial position.

Impairment or Disposal of Long-Lived Assets

In August 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supercedes Statement No. 121. Although this Statement retains many of the fundamental provisions of Statement No. 121, it expands the scope of discontinued operations and significantly changes the criteria for classifying an asset as held-for-sale. The provisions of this statement are effective for fiscal years beginning after December 15, 2001. The Company adopted this pronouncement effective as of February 1, 2002. Management does not believe that the adoption of this Statement will have a material impact on the Company's consolidated results of operations and financial position.

Derivatives

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 ("SFAS NO. 133"), "Accounting for Derivative Instruments and Hedging Activities," and its amendment statements 137 and 138, in June 1999 and June 2000, respectively, which the Company was required to adopt on February 1, 2001. The Statement requires the Company to recognize all derivatives on the balance sheet at fair value. Adoption of SFAS No. 133 did not have a material effect on the Company's financial statements.

NOTE B -- INVENTORIES

Inventories consist of:

	January 31,	
	2002	2001
	(000's)	
Finished goods	\$ 18,240	\$17,605
Work-in-process	576	1,707
Raw materials	18,356	23,138
	-----	-----
	\$ 37,172	\$42,450
	=====	=====

Raw materials of \$8.0 million and \$11.8 million were maintained in Indonesia at January 31, 2002 and January 31, 2001, respectively. Raw materials of \$8.2 million and \$8.7 million were maintained in China at January 31, 2002 and January 31, 2001, respectively.

F-13

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

January 31, 2002, 2001, and 2000

NOTE C -- PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at cost consist of:

	January 31,	
	2002	2001
	(000's)	
Machinery and equipment	\$ 1,621	\$ 1,577
Leasehold improvements	5,061	4,923
Transportation equipment	111	140
Furniture and fixtures	1,752	1,704
Computer equipment	5,288	4,891
Land and building (net of write-down of Indonesian factory; Note E)	969	692
Property under capital leases (Note E)		
Land		55
Building		185
Computer equipment	180	
Leasehold improvements	200	
	-----	-----
	15,182	14,167
Less accumulated depreciation and amortization (including \$43,000 and \$200,000 on property under capital leases at January 31, 2002 and 2001, respectively)	12,161	11,227
	-----	-----
	\$ 3,021	\$ 2,940
	=====	=====

F-14

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

January 31, 2002, 2001, and 2000

NOTE D -- NOTES PAYABLE

Notes payable include foreign notes payable by PT Balihidden, the Company's Indonesian subsidiary. The foreign notes payable represent maximum borrowings under a line of credit of approximately \$800,000 and \$1.5 million with an Indonesian bank, as of January 31, 2002 and 2001. The loan is secured by the property, plant, and equipment of the subsidiary.

The Company's domestic loan agreement, which expires May 31, 2002, was extended to May 31, 2005 subsequent to January 31, 2002. It is a collateralized working capital line of credit with six banks that provides for a maximum line of credit in amounts that range from \$45 million to \$85 million at specific times during the year. The line of credit provides for maximum direct borrowings ranging from \$30 million to \$72 million during the year. The unused balance may be used for letters of credit. Amounts available for borrowing are subject to borrowing base formulas and overadvances specified in the agreement. The line of credit includes a requirement that the Company have no loans and acceptances outstanding for 45 consecutive days each year of the lending agreement. The Company met this requirement.

All borrowings under the agreement bear interest at the option of the Company at either the prevailing prime rate (4.75% at April 1, 2002) or LIBOR plus 225 basis points (4.28% at April 1, 2002) and are collateralized by the assets of the Company. The loan agreement requires the Company, among other covenants, to maintain certain earnings and tangible net worth levels, and prohibits the payment of cash dividends.

The weighted average interest rates for amounts borrowed under the domestic loan agreement and the PT Balihidden notes were 6.0% and 9.3% for the years ended January 31, 2002 and 2001, respectively.

At January 31, 2002 and 2001, the Company was contingently liable under letters of credit in the amount of approximately \$2.6 million and \$10.4

million, respectively.

NOTE E -- OTHER LIABILITIES

Other long-term liabilities consist of:

	JANUARY 31,	
	2002	2001
	(000's)	
Non-recurring charges	\$ 27	\$131
Capital lease obligations	203	
Other	188	162
	-----	-----
	\$ 418	\$293
	=====	=====

Non-recurring Charges

During 1995, the Company formulated plans to close its domestic manufacturing facility, to sell or liquidate a factory located in Indonesia, to reduce costs and to streamline and consolidate operations. The domestic factory was closed during 1995 with no loss of revenue. During fiscal 1998, the Company applied approximately \$1.6 million of the reserve as a reduction of the Indonesian property, plant and equipment, since the Company could not assure any recoveries in

F-15

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

January 31, 2002, 2001, and 2000

NOTE E -- OTHER LIABILITIES (CONTINUED)

connection with a disposition of the factory. In December 1997, the Company was approached by an outside third party to manufacture luggage at the Indonesian factory. The Company began producing luggage in February 1998. As a result the Company discontinued its plan to close the factory. In the fourth quarter of fiscal 2000, the Company determined that the local economy in Indonesia had stabilized and the imminent threat of asset impairment relating to its facility was no longer present. As a result, in the year ended January 31, 2000, the Company reversed the then remaining provision for the uncertainty of the Indonesian assets totaling \$463,000 (see Note N).

The nonrecurring charges refer to the reserve associated with the closure of the Company's domestic factory that was completed by January 31, 1995. The balances of \$132,000 at January 31, 2002 and \$228,000 at January 31, 2001 relate to the remaining obligation under an operating lease and are classified on the balance sheet as current and noncurrent liabilities. Based on current estimates, management believes that existing accruals are adequate.

In November 1999, the Company formulated a plan to cease operations of the BET Design Studio joint venture. The joint venture generated approximately \$2.4 million in revenues and incurred losses of approximately \$2.0 million in the year ended January 31, 2000. In connection with the plan, the Company charged \$1.6 million to unusual and non-recurring charges in the year ended January 31, 2000. Following the disposition of the remaining assets and liabilities, the excess amount of \$643,000 was credited to unusual and non-recurring charges in the year ended January 31, 2001.

In addition, certain equipment leases have been treated as capital leases. The present values of minimum future obligations are calculated based on interest rates at the inception of the leases. The following schedule sets



forth the future minimum lease payments under capital leases at January 31, 2002:

	(000'S)
	-----
Year ending January 31,	
2003	\$122
2004	127
2005	90
2006	5
	----
Net minimum lease payments	344
Less amount representing interest	35
	----
Present values of minimum lease payments	\$309
	====
Current portion	\$106
Noncurrent portion	203
	----
	\$309
	====

F-16

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

January 31, 2002, 2001, and 2000

NOTE F -- INCOME TAXES

The income tax provision is comprised of the following:

	Year ended January 31,		
	2002	2001	2000
	-----	-----	-----
	(000's)		
Current			
Federal	\$ 3,127	\$ 5,993	\$ 4,256
State and city	519	1,230	718
Foreign	216	426	21
	-----	-----	-----
	3,862	7,649	4,995
Deferred expense	(2,351)	(213)	(1,061)
	-----	-----	-----
	\$ 1,511	\$ 7,436	\$ 3,934
	=====	=====	=====
Income before income taxes			
United States	\$ 3,216	\$16,881	\$ 9,557
Non-United States	659	1,709	157

The significant components of the Company's deferred tax asset at January 31, 2002 and 2001 are summarized as follows:

2002	2001
-----	-----

(000's)

Supplemental employee retirement plan	\$ 116	\$ 90
Officer bonus	120	440
Provision for bad debts and sales allowances	2,066	1,604
Depreciation	1,578	1,433
Inventory write-downs	1,648	942
Advertising allowance	381	107
Sales return accrual	888	
Straight-line lease	260	(138)
Other	183	411
	-----	-----
	\$ 7,240	\$ 4,889
	=====	=====

F-17

## G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

January 31, 2002, 2001, and 2000

## NOTE F -- INCOME TAXES (CONTINUED)

The following is a reconciliation of the statutory federal income tax rate to the effective rate reported in the financial statements:

	YEAR ENDED JANUARY 31, 2002		Year ended January 31, 2001		Year ended January 31, 2000	
	AMOUNT (000'S)	PERCENT OF INCOME	Amount (000's)	Percent of Income	Amount (000's)	Percent of Income
Provision for Federal income taxes at the statutory rate	\$ 1,356	35.0%	\$6,507	35.0%	\$3,400	35.0%
State and city income taxes, net of Federal income tax benefit	33	.9	774	4.2	624	6.5
Effect of foreign taxable operations	42	1.1	(236)	(1.3)	(35)	(.4)
Effect of permanent differences resulting in Federal taxable income	45	1.2	21	.1	22	.2
Utilization of loss carryforwards					(155)	(1.6)
Other, net	35	.8	370	2.0	78	.8
	-----	----	-----	----	-----	----
Actual provision for income taxes	\$ 1,511	39.0%	\$7,436	40.0%	\$3,934	40.5%
	=====	====	=====	====	=====	====

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately \$2.0 million at January 31, 2002. Those earnings are considered to be indefinitely reinvested and, accordingly, no provision for U.S. income taxes has been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries, as applicable.

## NOTE G -- COMMITMENTS AND CONTINGENCIES

The Company leases warehousing, executive and sales facilities, and transportation equipment under operating leases with options to renew at varying terms. Leases with provisions for increasing rents have been expensed and accrued for on a straight-line basis over the life of the lease. Future minimum rental payments for operating leases having noncancellable lease periods in excess of one year as of January 31, 2002

are:

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

January 31, 2002, 2001, and 2000

NOTE G -- COMMITMENTS AND CONTINGENCIES (CONTINUED)

	GROSS	Sublease income	Net
	-----	-----	-----
		(000's)	
Year ending January 31,			
2003	\$ 2,031	\$199	\$ 1,832
2004	1,919	17	1,902
2005	1,881		1,881
2006	1,198		1,198
2007	1,196		1,196
Thereafter	6,061		6,061
	-----	----	-----
	\$14,286	\$216	\$14,070
	=====	====	=====

In April 1988, 345 West 37th Street Corp. ("345 West"), a property owned by two principal stockholders (Note J), received a loan from the New York Job Development Authority ("Authority") to assist 345 West in its renovation of the 345 West property. The loan is for a period of 15 years and is presently repayable in monthly installments of \$11,000, which includes interest at 8.25%. The loan is financed by long-term bonds issued by the Authority. G-III and the two principal stockholders of the Company have signed corporate and personal guarantees for this loan. The outstanding principal of this debt was approximately \$159,000 and \$284,000 as of January 31, 2002 and 2001, respectively. In conjunction with closing this domestic facility (described in Note E), the Company has reflected \$132,000 and \$228,000 of the balance of the loan as an accrued nonrecurring charge at January 31, 2002 and 2001, respectively.

Rent expense on the above operating leases (including amounts leased from 345 West) for the years ended January 31, 2002, 2001, and 2000 was approximately \$2,114,000, \$1,768,000, and \$1,187,000, respectively, net of sublease income of \$196,000, \$289,000, and \$984,000, respectively.

The Company has entered into license agreements that provide for royalty payments from 3.5% to 12% of net sales of licensed products. The Company incurred royalty expense (included in cost of goods sold) of approximately \$6,855,000, \$4,858,000, and \$5,228,000 for the years ended January 31, 2002, 2001, and 2000, respectively. Based on minimum sales requirements, future minimum royalty payments required under these agreements are:

Year ending January 31,	Amount
-----	-----
2003	\$ 6,106,000
2004	7,257,000
2005	4,869,000
2006	410,000
	-----
	\$18,642,000
	=====

The Company has an employment agreement with its chief executive officer

which expires on January 31, 2005. The agreement provides for a base salary and bonus payments that vary between 3% and 6% of pretax income in excess of \$2 million.

F-19

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

January 31, 2002, 2001, and 2000

NOTE G -- COMMITMENTS AND CONTINGENCIES (CONTINUED)

In January 2001, the Company purchased certain assets of Gloria Gay Coats, LLC (see Note A). The Company is contractually obligated to make certain contingent payments if the division meets certain performance criteria in each of the two years ending January 31, 2003. The contingent payment for the year ended January 31, 2002 amounted to \$1.3 million

NOTE H -- STOCKHOLDERS' EQUITY

Certain agreements entered into by the Company in connection with loans by the Agency and Authority relating to the building located at 345 West 37th Street in New York City and the bank agreements prohibit the payment of cash dividends without consent.

Stock Options

The Company's stock plans authorize the granting of 1,880,000 options to executive and key employees and 81,500 to directors of the Company. It is the Company's policy to grant stock options at prices not less than the fair market value on the date of the grant. Option terms, vesting and exercise periods vary, except that the term of an option may not exceed ten years.

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock Based Compensation." Accordingly, no compensation cost has been recognized for the stock options granted to employees and directors. Had compensation cost been determined based on the fair value at the grant date for stock option awards in fiscal 2002, 2001 and 2000 consistent with the provisions of SFAS No. 123, the Company's net income and diluted earnings per share for the years ended January 31, 2002, 2001, and 2000 would have been as follows:

	2002 ----	2001 ----	2000 ----
Net income - as reported	\$ 2,364	\$ 11,154	\$ 5,780
Net income - adjusted	\$ 2,029	\$ 10,900	\$ 5,390
Diluted earnings per share - as reported	\$ .32	\$ 1.57	\$ .84
Diluted earnings per share - adjusted	\$ .28	\$ 1.53	\$ .79

The weighted average fair value at date of grant for options granted during 2002, 2001 and 2000 was \$5.25, \$4.24, and \$1.77 per option, respectively. The fair value of each option at date of grant was estimated using the Black-Scholes option pricing model. Such compensation calculation may not be representative of the future effects of applying SFAS 123. The following weighted average assumptions were used in the Black-Scholes option pricing model for grants in 2002, 2001, and 2000, respectively:

	2002 ----	2001 ----	2000 ----
Expected stock price volatility	65.9%	72.9%	71.1%
Expected lives of options			

Directors and officers	7 YEARS	7 years	7 years
Employees	6 YEARS	6 years	6 years
Risk-free interest rate	4.9%	6.0%	6.1%
Expected dividend yield	0%	0%	0%

F-20

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

January 31, 2002, 2001, and 2000

NOTE H -- STOCKHOLDERS' EQUITY (CONTINUED)

Information regarding these option plans for 2002, 2001, and 2000 is as follows:

	2002		2001		2000	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of year	1,243,250	\$ 3.23	1,279,800	\$ 2.97	1,042,100	\$ 2.86
Exercised	(65,900)	2.25	(110,250)	2.17	(50,000)	2.15
Granted	11,000	7.82	81,000	6.07	289,750	2.54
Cancelled or forfeited	(5,700)	4.31	(7,300)	3.59	(2,050)	2.98
	-----		-----		-----	
Options outstanding at end of year	1,182,650	\$ 3.33	1,243,250	\$ 3.23	1,279,800	\$ 2.97
Exercisable	875,440	\$ 3.14	818,736	\$ 2.98	817,550	\$ 2.83
	=====		=====		=====	

The following table summarizes information about stock options outstanding:

Range of Exercise Prices	Number outstanding as of January 31, 2002	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable as of January 31, 2002	Weighted Average Exercise Price
-----	-----	-----	-----	-----	-----
\$1.62 -- \$3.00	721,332	4.1 years	\$ 2.24	573,992	\$ 2.22
\$3.01 -- \$6.00	358,818	5.8 years	\$ 4.62	262,148	\$ 4.66
\$6.01 -- \$9.55	102,500	7.1 years	\$ 6.46	39,300	\$ 6.39
	-----			-----	
	1,182,650			875,440	
	=====			=====	

Included in the above outstanding options as of January 31, 2002, 2001, and 2000 are 25,000 options with an exercise price of \$6.50 and 25,000 options with an exercise price of \$5.50 for which the fair value at the date of grant was \$3.75. All other options were issued at an amount equal to the fair market value at the date of grant.

NOTE I -- MAJOR VENDORS AND CUSTOMERS

For the years ended January 31, 2002, 2001, and 2000, one customer accounted for 21.1%, 21.1%, and 24.6%, respectively, of the Company's net sales, primarily for purchases of non-licensed apparel.

The Company estimates an allowance for doubtful accounts based on the creditworthiness of its customers as well as general economic conditions. Consequently, an adverse change in those factors could affect the Company's estimate.

## G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

January 31, 2002, 2001, and 2000

## NOTE J -- RELATED PARTY TRANSACTIONS

During the years ended January 31, 2002, 2001, and 2000, G-III leased space from 345 West (Note G). Operating expenses paid by G-III to 345 West during the years ended January 31, 2002, 2001, and 2000, amounted to approximately \$202,000, \$233,000, and \$280,000, respectively.

An executive of the Company owns approximately an 11% equity interest on a fully diluted basis in Wilsons the Leather Experts Inc. ("Wilson's"), a customer of the Company. In addition, an outside director of the Company owns approximately a 3% direct and 10% indirect equity interest on a fully diluted basis of Wilson's. During the years ended January 31, 2002, 2001 and 2000, Wilson's accounted for approximately \$11,590,000, \$13,121,000, and \$8,620,000, respectively, of the Company's net sales. Accounts receivable from Wilson's at January 31, 2002 were approximately \$21,000.

## NOTE K -- PENSION PLANS

The Company maintains a 401(k) profit-sharing plan and trust for nonunion employees. The Company matches 50% of employee contributions up to 3% of the participant's compensation. The Company's matching contributions amounted to approximately \$200,000, \$157,000, and \$122,000, for the years ended January 31, 2002, 2001, and 2000, respectively.

## NOTE L -- SEGMENTS

The Company's reportable segments are business units that offer different products and are managed separately. The company operates in two segments, licensed and non-licensed apparel. The following information is presented for the fiscal years indicated below:

	2002		2001		2000	
	LICENSED	NON-LICENSED	Licensed	Non-Licensed	Licensed	Non-Licensed
Net sales	\$ 85,977	\$115,449	\$70,855	\$116,202	\$61,900	\$87,732
Cost of goods sold	65,479	92,681	49,738	86,361	44,100	66,610
Gross profit	20,498	22,768	21,117	29,841	17,800	21,122
Selling, general and administrative	19,510	16,304	13,687	16,173	10,113	18,032
Unusual or non-recurring charge				(643)		1,200
Operating profit	988	6,464	7,430	14,311	7,687	1,890
Interest expense	1,681	1,896	1,067	1,772	491	1,366
Income (loss) before minority interest and income taxes	(693)	4,568	6,363	12,539	7,196	524
Minority interest				(312)		1,994
Income (loss) before income taxes	\$ (693)	\$ 4,568	\$ 6,363	\$ 12,227	\$ 7,196	\$ 2,518

Commission fee income was \$3.2 million, \$6.2 million, and \$3.6 million for fiscal 2002, 2001, and 2000, respectively. This fee income is included in non-licensed net sales and gross profit. The Company allocates all expenses to its two reportable segments.

## G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

January 31, 2002, 2001, and 2000

## NOTE L -- SEGMENTS (CONTINUED)

	2002		2001		2000	
	REVENUES	LONG-LIVED ASSETS	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
Geographic region						
United States	\$194,921	\$ 12,122	\$181,215	\$ 8,306	\$147,001	\$ 8,294
Non-United States	6,505	2,254	5,842	2,329	2,631	2,003
	-----	-----	-----	-----	-----	-----
	\$201,426	\$ 14,376	\$187,057	\$ 10,635	\$149,632	\$10,297
	=====	=====	=====	=====	=====	=====

Included in finished goods inventory at January 31, 2002, 2001, and 2000 are \$9.3 million and \$8.9 million, \$8.6 million and \$9.0 million, and \$5.8 million and \$5.2 million, respectively, of inventories for licensed and non-licensed apparel, respectively. All other assets are commingled.

## NOTE M -- QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data in thousands, except per share numbers, for the fiscal years ended January 31, 2002 and 2001 are as follows:

	Quarter ended			
	April 30, 2001	July 31, 2001	October 31, 2001	January 31, 2002
January 31, 2002				
Net sales	\$ 17,167	\$ 62,913	\$ 90,623	\$ 30,723
Gross profit	2,950	16,615	20,718	2,983
Net income (loss)	(2,892)	3,885	5,033	(3,662)
Net income (loss) per common share				
Basic	\$ (0.44)	\$ 0.58	\$ 0.75	\$ (0.55)
Diluted	(0.44)	0.52	0.68	(0.55)
	Quarter ended			
	April 30, 2000	July 31, 2000	October 31, 2000	January 31, 2001
January 31, 2001				
Net sales	\$ 10,578	\$ 47,385	\$ 87,955	\$41,139
Gross profit	2,180	13,798	25,308	9,672
Net income (loss)	(2,519)	3,447	9,468	758 (a)
Net income (loss) per common share				
Basic	\$ (0.38)	\$ 0.53	\$ 1.45	\$ 0.12
Diluted	(0.38)	0.49	1.31	0.11

- (a) Includes \$192,000 of income, net of tax, or \$0.03 per diluted share, associated with the reversal of a charge previously taken in connection with the disposition of the assets and liabilities of the BET Design Studio joint venture.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONCLUDED)

January 31, 2002, 2001, and 2000

NOTE N -- EFFECT OF INDONESIAN ECONOMY

In 1998, many Asia/Pacific countries, including Indonesia, experienced an economic crisis mainly resulting from currency devaluation in the region, the principal consequences of which have been an extreme lack of liquidity and highly volatile exchange and interest rates. The crisis had also involved declining prices in shares listed on the Indonesian stock exchanges, tightening of available credit, stoppage or postponement of certain construction projects, and a growing oversupply of real property. There were frequent riots and many businesses suffered losses. As a result, in 1998, the Company reserved \$463,000 against certain assets due to the probable threat that the Indonesian government would seize the assets of the Company. In the fourth quarter of fiscal 2000, the economic situation had stabilized and the threat for loss of assets was no longer probable. As a result, the Company reversed this reserve. In fiscal 2001 and 2002, Indonesia again experienced significant currency devaluation and political instability. During fiscal 2003, the Company will continue to monitor conditions in Indonesia and their affect on the stability of its Indonesian operations.

F-24

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Column A	Column B	Column C		Column D	Column E
Description	Balance at beginning of period	(1) Charged to costs and expenses	(2) Charged to other accounts	Deductions (a)	Balance at end of period
-----					
Additions					
-----					
Year ended January 31, 2002					
Deducted from asset accounts					
Allowance for doubtful accounts	\$ 466	\$ 234		\$ 86	\$ 614
Allowance for sales discounts	3,776	6,370		4,591	5,555
	-----	-----		-----	-----
	\$4,242	\$6,604		\$4,677	\$6,169
	=====	=====		=====	=====
Year ended January 31, 2001					
Deducted from asset accounts					
Allowance for doubtful accounts	\$ 806	\$ 30		\$ 370	\$ 466
Allowance for sales discounts	3,086	4,937		4,247	3,776
	-----	-----		-----	-----
	\$3,892	\$4,967		\$4,617	\$4,242
	=====	=====		=====	=====
Year ended January 31, 2000					
Deducted from asset accounts					
Allowance for doubtful accounts	\$ 499	\$ 539		\$ 232	\$ 806
Allowance for sales discounts	1,168	4,914		2,996	3,086
	-----	-----		-----	-----
	\$1,667	\$5,453		\$3,228	\$3,892
	=====	=====		=====	=====

(a) Accounts written off as uncollectible, net of recoveries.



SIXTH AMENDED AND RESTATED LOAN AGREEMENT

BY AND AMONG

G-III LEATHER FASHIONS, INC.,

THE LENDERS SIGNATORY HERETO

AND

FLEET NATIONAL BANK

AS AGENT, COLLATERAL MONITORING AGENT

AND ISSUING BANK FOR SUCH LENDERS

APRIL 29, 2002

TABLE OF CONTENTS

	PAGE
	----
ARTICLE 1.	DEFINITIONS.....2
Section 1.1	Definitions.....2
Section 1.2	Other Definitional Provisions; Construction.....26
ARTICLE 2.	REVOLVING CREDIT FACILITY.....26
Section 2.1	Letters of Credit; Acceptances; Loans; Steamship Guaranties; Airway Releases.....26
Section 2.2	Applications for Letters of Credit, Steamship Guaranties and Airway Releases.....28
Section 2.3	Borrowing Notice and Disbursement of Loans.....30
Section 2.4	Notes.....31
Section 2.5	Interest.....31
Section 2.6	Fees.....32
Section 2.7	Payment of Loans and Acceptances; Voluntary Changes in Commitment; Mandatory Prepayments.....33
Section 2.8	Use of Proceeds of Loans.....34
Section 2.9	Computations.....35
Section 2.10	Time and Method of Payments; Statement of Account.....36
Section 2.11	Several Obligations.....36
Section 2.12	Guaranties.....36
Section 2.13	Security.....37
Section 2.14	Lending Offices.....37
Section 2.15	Obligations Absolute.....37
Section 2.16	Sharing of Payments and Set-Off Among Lenders.....38
Section 2.17	Additional Costs; Capital Requirements.....39
Section 2.18	Additional L/C Provisions.....40
Section 2.19	Pro Rata Treatment Among Lenders.....42
Section 2.20	Non-Receipt of Funds by the Agent.....42
Section 2.21	Collections; Agent's Right to Notify Account Debtors and Endorse the Borrower's Name.....43
Section 2.22	Application of Payments and Collections.....44
Section 2.23	Conversions of Loans.....45
Section 2.24	Limitation on Types of Loans.....45
Section 2.25	Illegality.....46
Section 2.26	Indemnification.....46
Section 2.27	Certain Conversions Pursuant to Section 2.17.....47
ARTICLE 3.	REPRESENTATIONS AND WARRANTIES.....47
Section 3.1	Organization.....48

Section 3.2	Power, Authority, Consents.....	48
Section 3.3	No Violation of Law or Agreements.....	49
Section 3.4	Due Execution, Validity, Enforceability.....	49

Section 3.5	Properties, Priority of Liens.....	49
Section 3.6	Judgments, Actions, Proceedings.....	50
Section 3.7	No Default; Compliance With Laws.....	50
Section 3.8	Burdensome Documents.....	50
Section 3.9	Financial Statements; Projections.....	51
Section 3.10	Tax Returns.....	51
Section 3.11	Intangible Assets.....	51
Section 3.12	Regulation U.....	52
Section 3.13	Name Changes, Mergers, Acquisitions; Location of Collateral.....	52
Section 3.14	Full Disclosure.....	52
Section 3.15	Licenses and Approvals.....	52
Section 3.16	Labor Disputes; Collective Bargaining Agreements; Employee Grievances.....	53
Section 3.17	Condition of Assets.....	53
Section 3.18	ERISA.....	53
Section 3.19	Account Representations and Warranties.....	54
Section 3.20	Borrowing Base Certificates.....	55
Section 3.21	Accounts Receivable Aging Reports; Key Item Reports.....	55
Section 3.22	Inventory Representations and Warranties.....	55
Section 3.23	Forfeiture Proceeding.....	55
Section 3.24	Americans with Disabilities Act.....	55
Section 3.25	Security Documents.....	56
ARTICLE 4.	CONDITIONS.....	56
Section 4.1	Conditions to Closing.....	56
Section 4.2	Conditions to Subsequent Loans and Issuance of L/Cs.....	58
ARTICLE 5.	DELIVERY OF FINANCIAL REPORTS, DOCUMENTS AND OTHER INFORMATION.....	59
Section 5.1	Annual Financial Statements.....	59
Section 5.2	Semi-Annual Financial Statements; Quarterly Financial Statements.....	59
Section 5.3	Compliance Information.....	60
Section 5.4	No Default Certificate.....	60
Section 5.5	Rental Obligations; Capitalized Lease Obligations.....	60
Section 5.6	Accountants' Reports.....	61
Section 5.7	Copies of Documents.....	61
Section 5.8	Notices of Defaults.....	61
Section 5.9	ERISA Notices.....	61
Section 5.10	Additional Information and Reports.....	62
Section 5.11	Confidentiality of Information.....	63
ARTICLE 6.	AFFIRMATIVE COVENANTS.....	64
Section 6.1	Books and Records.....	64
Section 6.2	Inspections and Field Examinations.....	64
Section 6.3	Maintenance and Repairs.....	65
Section 6.4	Continuance of Business.....	65
Section 6.5	Copies of Corporate Documents.....	65
Section 6.6	Perform Obligations.....	65
Section 6.7	Notice of Litigation.....	65
Section 6.8	Insurance.....	66
Section 6.9	Financial Covenants.....	66
Section 6.10	Notice of Certain Events.....	68
Section 6.11	Comply with ERISA.....	68
Section 6.12	Environmental Compliance.....	68
Section 6.13	Management Letters.....	68
Section 6.14	Tax Refunds.....	69
Section 6.15	Additional Subsidiaries.....	69
ARTICLE 7.	NEGATIVE COVENANTS.....	69

Section 7.1	Indebtedness.....	69
Section 7.2	Liens.....	70
Section 7.3	Guaranties.....	71
Section 7.4	Mergers; Acquisitions.....	71
Section 7.5	Redemptions; Distributions.....	71
Section 7.6	Stock Issuance.....	72
Section 7.7	Changes in Business.....	72
Section 7.8	Prepayments.....	72
Section 7.9	Investments.....	72
Section 7.10	Fiscal Year.....	74
Section 7.11	ERISA Obligations.....	74
Section 7.12	Amendments of Documents.....	74
Section 7.13	Capital Expenditures.....	75
Section 7.14	Capitalized Lease Obligations.....	75
Section 7.15	Management Fees.....	75
Section 7.16	Transactions with Affiliates.....	75
Section 7.17	Activities Leading to Forfeiture Proceeding.....	76
Section 7.18	Rental Obligations.....	76
Section 7.19	Retail Stores.....	76
Section 7.20	License Agreements.....	76
ARTICLE 8.	EVENTS OF DEFAULT.....	76
Section 8.1	Payments.....	77
Section 8.2	Certain Covenants.....	77
Section 8.3	Other Covenants.....	77
Section 8.4	Other Defaults.....	77
Section 8.5	Representations and Warranties.....	78
Section 8.6	Bankruptcy.....	78
Section 8.7	Judgments.....	79
Section 8.8	ERISA.....	79
Section 8.9	Ownership of Stock.....	79
Section 8.10	Management.....	79
Section 8.11	Liens.....	80
Section 8.12	Amount of Obligations.....	80
Section 8.13	Forfeiture Proceedings.....	80
iii		
Section 8.14	Material Adverse Change.....	80
ARTICLE 9.	AGENCY PROVISIONS.....	80
Section 9.1	Appointment, Powers and Immunities.....	80
Section 9.2	Reliance.....	81
Section 9.3	Events of Default.....	81
Section 9.4	Rights as a Lender.....	81
Section 9.5	Indemnification.....	82
Section 9.6	Non-Reliance.....	82
Section 9.7	Failure to Act.....	83
Section 9.8	Resignation or Removal.....	83
Section 9.9	Sharing of Collateral and Payments.....	83
Section 9.10	Additional Provisions as to the Collateral Monitoring Agent.....	84
ARTICLE 10.	MISCELLANEOUS PROVISIONS.....	85
Section 10.1	Fees and Expenses; Indemnity.....	85
Section 10.2	Taxes.....	87
Section 10.3	Payments.....	87
Section 10.4	Survival of Agreements and Representations.....	88
Section 10.5	Lien on and Set-off of Deposits.....	88
Section 10.6	Modifications, Consents and Waivers; Entire Agreement.....	88
Section 10.7	Remedies Cumulative.....	89
Section 10.8	Further Assurances.....	89
Section 10.9	Notices.....	89
Section 10.10	Counterparts.....	91
Section 10.11	Severability.....	91
Section 10.12	Binding Effect; No Assignment or Delegation by Borrower.....	92
Section 10.13	Assignments and Participation by Lenders; Issuance of L/Cs by Lender Affiliates.....	92
Section 10.14	GOVERNING LAW; CONSENT TO JURISDICTION; WAIVER OF TRIAL BY JURY.....	96

Section 10.15	Limitation on Interest.....	97
Section 10.16	Additional Agreements by Borrower and Loan Parties.....	98
Section 10.17	Release by Borrower and Loan Parties.....	98

EXHIBITS

- A. Form of Note
- B. States of Incorporation and Qualification, and Capitalization and Ownership of Stock, of Borrower and Subsidiaries
- C. Consents, Waivers, Approvals; Violation of Agreements
- D-1. Form of Available to Sell Report (\$)
- D-2. Form of Available to Sell Report (Units)
- D-3. Form of Inventory Analysis Report
- D-4. Form of Key Item Report
- E. Permitted Security Interests, Liens and Encumbrances
- F. Judgments, Actions, Proceedings
- G. Defaults; Compliance with Laws, Regulations, Agreements
- H. Burdensome Documents
- I. Patents, Trademarks, Trade Names, Service Marks, Copyrights, and Trade-Style Names
- J. Name Changes, Mergers, Acquisitions; Location of Collateral
- K. Labor Disputes; Collective Bargaining Agreements; Employee Grievances
- L. Pension Plans
- M. Permitted Indebtedness and Guaranties
- N. Form of Assignment and Acceptance
- O. Accounts and Inventory
- P. Borrowing Base Certificate
- Q. Form of Continuing Agreement for Issuance of Steamship Guaranties and Airway Releases

SCHEDULES

- 1.1 Licenses
- 7.9 Investments

SIXTH AMENDED AND RESTATED LOAN AGREEMENT

THIS AGREEMENT, made as of the 29 day of April 2002, by and among:

G-III LEATHER FASHIONS, INC., a New York corporation (the "Borrower");

The lenders that have executed the signature pages hereto (individually, a "Lender" and collectively, the "Lenders"); and

FLEET NATIONAL BANK, a national banking association, individually ("Fleet") and as Agent for the Lenders (in such capacity, together with its successors in such capacity, the "Agent"), as Collateral Monitoring Agent for the Lenders (in such capacity, together with its successors in such capacity, the "Collateral Monitoring Agent"), and as Issuing Bank (in such capacity, together with its

successors in such capacity, the "Issuing Bank"),

W I T N E S S E T H:

WHEREAS,

(A) The Borrower, the Agent, the Collateral Monitoring Agent, the Issuing Bank and the banks signatory thereto entered into the Fifth Amended and Restated Loan Agreement dated as of May 31, 1999, which was amended pursuant to : (i) Amendment No. 1 to the Fifth Amended and Restated Loan Agreement dated as of December 20, 1999, (ii) Amendment No. 2 to the Fifth Amended and Restated Loan Agreement dated as of March 1, 2000, (iii) Amendment No. 3 to the Fifth Amended and Restated Loan Agreement dated as of April 7, 2000, (iv) Amendment No. 4 to the Fifth Amended and Restated Loan Agreement dated as of May 24, 2000, (v) Amendment No. 5 and Assignment to the Fifth Amended and Restated Loan Agreement dated as of July 14, 2000, (vi) Amendment No. 6 to the Fifth Amended and Restated Loan Agreement dated as of January 10, 2001, (vii) Amendment No. 7 to the Fifth Amended and Restated Loan Agreement dated as of February 12, 2001, (viii) Amendment No. 8 and Assignment to the Fifth Amended and Restated Loan Agreement dated as of March 13, 2001, (ix) Amendment No. 9 to the Fifth Amended and Restated Loan Agreement dated as of May 31, 2001, (x) Amendment No. 10 and Assignment to the Fifth Amended and Restated Loan Agreement dated as of July 27, 2001, (xi) Amendment No. 11 and Waiver to the Fifth Amended and Restated Loan Agreement dated as of November 27, 2001, (xii) Amendment No. 12 to the Fifth Amended and Restated Loan Agreement dated as of November 30, 2001 and (xiii) Amendment No. 13 and Waiver to the Fifth Amended and Restated Loan Agreement dated as of March 18, 2002 (as so amended, the "Original Loan Agreement");

(B) The Borrower has requested that the Lenders extend the credit facility provided for under the Original Loan Agreement and that the Original Loan Agreement be amended in certain respects;

(C) The Lenders have agreed to extend the credit facility and amend the Original Loan Agreement, subject to the agreements of the parties, all as hereinafter set forth; and

(D) In order to effect the amendment of the Original Loan Agreement, the Lenders, the Agent, the Collateral Monitoring Agent, the Issuing Bank and the Borrower desire to amend and restate the Original Loan Agreement in its entirety as set forth herein;

NOW, THEREFORE, the parties hereto agree to amend and restate the Original Loan Agreement (including all Exhibits and Schedules thereto) in its entirety as follows:

ARTICLE 1. DEFINITIONS.

Section 1.1 Definitions.

As used in this Agreement, the following terms shall have the following meanings:

"Acceptance(s)" - time drafts which (a) are drawn by the Borrower's vendors or suppliers under L/Cs which permit such drawings and are presented to the Agent in accordance with the terms of the relevant Time Trade L/Cs on or before the respective expiration dates of such Time Trade L/Cs, (b) are accepted by a Lender in accordance with the terms hereof and (c) mature no later than the earlier of (i) 60 days after the date of issuance thereof and (ii) the Commitment Termination Date.

"Account" - accounts (including but not limited to accounts receivable), revenues, income, fees and receipts whether now or hereafter existing or now owned or hereafter acquired and wherever located, of every kind and description, tangible or intangible, and all rights to receive the same, whether in the form of contract rights or other rights, and the proceeds of such rights, whether now owned or hereafter coming into existence, and all chattel paper, instruments, general intangibles, credits, claims, demands and any other obligations for the payment of money.

"Account Debtor" or "account debtor" - at any time, any Person who is obligated to the Borrower under or on account of an Account.

"Accounts Receivable Aging Report" - a summary account receivable trial

balance showing accounts receivable of the Borrower as of the last day of the preceding week (in the case of a weekly report) or month (in the case of a monthly report) outstanding from the due date set forth in the invoice in the following categories: future; current; 1-30 days; 31-60 days; 61-90 days; and 90 days and over.

"Additional Costs" - as defined in Section 2.17(b).

"Administrative Fee" - as defined in Section 2.6(i).

"Advisory Fee" - as defined in Section 2.6(a).

"Affiliate" - as to any Person, any other Person that directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control

2

with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), provided that, in any event: (i) any Person that owns directly or indirectly securities having 5% or more (with respect to any corporation other than the Parent) or 15% or more (with respect to the Parent) of the ordinary voting power for the election of directors or other governing body of a corporation or 5% or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person; and (ii) each shareholder, director and officer of the Borrower shall be deemed to be an Affiliate of the Borrower.

"Agreement" - this Sixth Amended and Restated Loan Agreement as it may be supplemented, amended or modified from time to time.

"Agent" - as defined in the heading hereof.

"Airway Release(s)" - as defined in Section 2.1(e).

"Applicable Lending Office" - with respect to each Lender, the Lending Office designated below its name on the signature pages hereto or in the Assignment and Acceptance pursuant to which it became a Lender hereunder, or such other office of such Lender or of an affiliate of such Lender as such Lender may from time to time specify to the Agent and the Borrower as the office at which its Loans of such type are to be made and maintained.

"Application(s)" - as defined in Section 2.2(a).

"Asset Securitization" - with respect to any Person, a transaction involving the sale or transfer of receivables by such Person to an SPV; provided, however, that the Borrower may (A) establish and maintain a reserve account containing Cash or Securities as a credit enhancement in respect of any such sale, or (B) purchase or retain a subordinated interest in such receivables being sold.

"Asset Securitization Recourse Liability" - with respect to any Person, the maximum amount of such Person's liability (whether matured or contingent) under any agreement, note or other instrument in connection with any one or more Asset Securitizations in which such Person has agreed to repurchase receivables or other assets, to provide direct or indirect credit support (whether through cash payments, the establishment of reserve accounts containing Cash or Securities, an agreement to reimburse a provider of a letter of credit for any draws thereunder, the purchase or retention of a subordinated interest in such receivables or other assets, or other similar arrangements), or in which such Person may be otherwise liable for all or a portion of any SPV's obligations under Securities issued in connection with such Asset Securitizations.

"Assignment and Acceptance" - an agreement in the form of Exhibit N.

"Attributable Indebtedness" - on any date, (a) in respect of any capital lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person

3

prepared as of such date in accordance with generally accepted accounting principles, and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with generally accepted accounting principles if such lease were accounted for as a capital lease.

"Availability" - as of the date of any determination thereof, the Borrowing Base less Outstanding Obligations; provided, however, that at no time shall the sum of Availability and Outstanding Obligations exceed the Commitment; and, provided, further, that in determining Availability in the issuance or advance, as the case may be, of any Standby L/Cs, Acceptances, Loans, Steamship Guaranties or Airway Releases, the sum of Availability and Direct Debt shall not exceed the Direct Debt Sublimit.

"Balihides" - P.T. Balihides, an Indonesian limited liability company.

"Bank Swap Contract" - any Swap Contract permitted under this Agreement whether now existing or hereafter entered into by and between the Borrower and any Hedge Bank; provided, that each Bank Swap Contract shall (i) have a termination date of no later than August 31, 2005 and (ii) shall be cash collateralized on and after June 1, 2005.

"Borrower" - as defined in the preamble hereof.

"Borrowing Base" - as of the date of any determination thereof, an amount up to, but not in excess of, the lesser of (i) the Borrowing Base Maximum as of such date and (ii) the sum of:

- (A) Eighty (80%) percent of all Eligible Accounts; plus
- (B) Fifty (50%) percent of all Eligible Inventory; plus
- (C) the applicable Overadvance.

The Borrowing Base shall be subject to reduction at any time and from time to time because of the reduction by the Collateral Monitoring Agent, in the exercise of its discretion, of (x) the advance rates expressed as a percentage in clauses (A) and (B) of this definition and (y) the percentage of Eligible Accounts and/or Eligible Inventory included therein by the application of a chargeback reserve, a reserve for credit balances in the ineligible column, a "contra" reserve and such other appropriate reserves as the Collateral Monitoring Agent shall establish in accordance with Section 9.10.

"Borrowing Base Certificate" - a certificate executed by the chief executive officer, president, chief operating officer or chief financial officer of the Borrower substantially in the form annexed hereto as Exhibit P containing the information set forth therein.

"Borrowing Base Maximum" - as of any date during any period set forth below, the amount set forth opposite such period:

Period -----	Borrowing Base Maximum -----
Closing Date to and including May 31, 2002	\$65,000,000
June 1, 2002 to and including September 30, 2002	\$85,000,000
October 1, 2002 to and including November 30, 2002	\$70,000,000
December 1, 2002 to and including the Commitment Termination Date	\$45,000,000

and the respective periods and amounts for each of Fiscal Year 2004, Fiscal Year 2005 and the Stub Period shall be as preliminarily determined by the Lenders and the Borrower based on the Projections and the business plan (in each case delivered pursuant to Section 5.10(e)) for Fiscal Year 2004, Fiscal Year 2005 and Fiscal Year 2006, respectively, and the unaudited financial statements (delivered pursuant to Section 5.10(e)) for Fiscal Year 2003, Fiscal Year 2004 and Fiscal Year 2005, respectively, but in no event shall the periods be of different durations or the amounts be less than the amounts for the periods corresponding to the periods set forth above (based on the assumptions that (i) the Closing Date occurred on May 1 and (ii) the last time period set forth above runs from December 1 to April 30 in each Fiscal Year) unless the Lenders

determine (in their reasonable discretion) that such periods and amounts warrant adjustment based upon such Projections, business plan or unaudited financial statements and such preliminary determination shall become effective after receipt and satisfactory review by the Lenders of the Financial Statements for Fiscal Year 2004, Fiscal Year 2005 and Fiscal Year 2006, respectively.

"Borrowing Notice" - as defined in Section 2.3.

"Business Day" - any day other than Saturday, Sunday or any other day on which commercial banks in New York City are authorized or required to close under the laws of the State of New York.

"Capital Expenditures" - for any period, the aggregate amount of all payments made during such period by any Person directly or indirectly for the purpose of acquiring, constructing or maintaining fixed assets, real property or equipment that, in accordance with generally accepted accounting principles, would be added as a debit to the fixed asset account of such Person, including, without limitation, all amounts paid or payable during such period with respect to interest that are required to be capitalized in accordance with generally accepted accounting principles.

"Capital Stock" - as to any Person, all shares, interests, partnership interests, limited liability company interests, participations, rights in or other equivalents (however

5

designated) of such Person's equity (however designated) and any rights, warrants or options exchangeable for or convertible into such shares, interests, participations, rights or other equity.

"Capitalized Lease" - any lease, the obligations to pay rent or other amounts under which constitute Capitalized Lease Obligations.

"Capitalized Lease Obligations" - as to any Person, the obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal property which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under generally accepted accounting principles and, for purposes hereof, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with generally accepted accounting principles.

"Cash" - as to any Person, such Person's cash and cash equivalents, as defined in accordance with generally accepted accounting principles consistently applied.

"Closing Date" - the date of the consummation of the transactions contemplated hereby.

"Code" - the Internal Revenue Code of 1986, as it may be amended from time to time, and the regulations thereunder.

"Collateral" - as defined in the respective Security Documents.

"Collateral Fees" - as defined in Section 2.6(g).

"Collateral Monitoring Agent" - as defined in the preamble hereof.

"Collection Account" - an account owned and maintained by the Collateral Monitoring Agent for the ratable benefit of the Lenders.

"Commitment" - Eighty-five million Dollars (\$85,000,000) in the aggregate, allocated among each of the Lenders, respectively in the amount set forth opposite such Lender's name on the signature pages hereof under the caption "Commitment," as such amount is reduced in accordance with the terms hereof.

"Commitment Termination Date" - May 31, 2005.

"Compliance Certificate" - a certificate executed by the chief executive officer, president, chief operating officer or chief financial officer of the Borrower to the effect that: (i) as of the effective date of the certificate, no Default or Event of Default under this Agreement exists or would exist after giving effect to the action intended to be taken by the Borrower as



described in such certificate, including, without limitation, that the covenants set forth in Section 6.9 would not be breached after giving effect to such action, together with a calculation in reasonable detail, and in form and substance satisfactory to the Agent and the Lenders, of such compliance, and (ii) the representations and warranties contained in Article 3 are true and correct

6

with the same effect as though such representations and warranties were made on the date of such certificate, except for changes in the ordinary course of business none of which, either singly or in the aggregate, have had a material adverse effect on the business, operations or financial conditions of the Borrower.

"Continuing Agreement for Issuance of Steamship Guaranties and Airway Releases" - agreement pursuant to which Steamship Guaranties and Airway Releases are issued in the form attached hereto as Exhibit Q.

"Corporate Guarantors" - collectively, Parent, Siena, Holdings, Retail, Sources, License Company and G-III Brands and each other Subsidiary of Parent or the Borrower that executes and delivers the Guarantor Security Agreement.

"Credit Period" - the period commencing on the date hereof and ending on the Commitment Termination Date.

"Debt Instrument" - as defined in Section 8.4(a).

"Default" - an event which with notice or lapse of time, or both, would constitute an Event of Default.

"Defined Contribution Plan" - a plan which is not covered by Title IV of ERISA or subject to the minimum funding standards of Section 412 of the Code and which provides for an individual account for each participant and for benefits based solely on the amount contributed to the participant's account, and any income, expenses, gains and losses, and any forfeitures of accounts of other participants which may be allocated to such participant's account.

"Direct Debt" - the aggregate principal and/or face (or stated) amount, as applicable, of all outstanding Standby L/Cs, Acceptances, Loans, Steamship Guaranties and Airway Releases.

"Direct Debt Sublimit" - for each period set forth below, the amount set forth opposite such period:

7

Period -----	Direct Debt Sublimit -----
Closing Date to and including May 31, 2002	\$40,000,000
June 1, 2002 to and including June 30, 2002	\$55,000,000
July 1, 2002 to and including August 25, 2002	\$70,000,000
August 26, 2002 to and including September 27, 2002	\$72,000,000
September 28, 2002 to and including November 25, 2002	\$62,000,000
November 26, 2002 to and including December 16, 2002	\$40,000,000
December 17, 2002 to and including the Commitment Termination Date	\$30,000,000

and the respective periods and amounts for each of Fiscal Year 2004, Fiscal Year 2005 and the Stub Period shall be as preliminarily determined by the Lenders and the Borrower based on the Projections and the business plan (in each case delivered pursuant to Section 5.10(e)) for Fiscal Year 2004, Fiscal Year 2005 and Fiscal Year 2006, respectively, and the unaudited financial statements (delivered pursuant to Section 5.10(e)) for Fiscal Year 2003, Fiscal Year 2004 and Fiscal Year 2005, respectively, but in no event shall the periods be of different durations or the amounts be less than the amounts for the periods corresponding to the periods set forth above (based on the assumptions that (i) the Closing Date occurred on May 1 and (ii) the last time period set forth above runs from December 17 to April 30 in each Fiscal Year) unless the Lenders determine (in their reasonable discretion) that such periods and amounts warrant adjustment based upon such Projections, business plan or unaudited financial statements and such preliminary determination shall become effective after receipt and satisfactory review by the Lenders of the Financial Statements for

Fiscal Year 2004, Fiscal Year 2005 and Fiscal Year 2006, respectively.

"Dollar(s)" and "\$" - lawful money of the United States of America.

"Drawing Fee" - as defined in Section 2.6(c).

"EBITDA" - for any period, net income of the Parent and its Subsidiaries for such period, determined on a consolidated basis in accordance with generally accepted accounting principles, plus the sum of, without duplication, (a) interest expense for such period, (b) provision for income taxes accrued for such period, (c) depreciation, amortization and other non-

8

cash charges of the Parent and its Subsidiaries and (d) for any period occurring on or after the decision by the board of directors or management of the Parent to terminate the business of Balihides, an amount of up to \$1,500,000 (representing charges taken in connection with such decision to terminate), each to the extent deducted in determining such net income for such period, without giving effect to extraordinary gains or losses from the sales, exchanges and other dispositions of assets (other than from sales of Inventory in the ordinary course of business).

"Eligible Account" - an Account which is created by the Borrower in the ordinary course of business, is genuine and in all respects what it purports to be, and which meets the following requirements:

(a) as of the date of computation of Eligible Accounts, no such Account shall have been outstanding for more than the lesser of (i) 60 days from the due date set forth in the invoice or (ii) 180 days from the date of the invoice relating thereto;

(b) the Account shall have arisen from the bona fide sale of goods or provision of services, which goods or services have been provided to an Account Debtor on an absolute sale basis, are not shipped or delivered or provided on a consignment, approval, bill and hold, or sale-or-return basis, are not subject to any repurchase or return agreement or arrangement (other than customary business agreements for the return of defective or incorrectly shipped merchandise) and have not been returned or rejected nor has the Account Debtor refused to accept or revoked acceptance of such goods or services; and such sale of goods or provision of services has been completed in accordance with the terms and provisions contained in any documents related thereto;

(c) the Account is evidenced by one, if any, executed original agreement, contract, sales confirmation or document and is not evidenced by chattel paper or an instrument of any kind, or, if the Account is evidenced by chattel paper or an instrument, the Borrower has delivered and properly endorsed such chattel paper or instrument to the Agent;

(d) to the best of the Borrower's knowledge, no event described in Section 8.6 with respect to the Account Debtor has occurred, the Agent and the Lenders, in the exercise of their reasonable judgment, deem the Account Debtor to be creditworthy, and not more than 50% of the aggregate unpaid amount of the Accounts due from the Account Debtor and Affiliates of such Account Debtor shall have been outstanding for more than 60 days from the due date set forth in the invoice relating thereto;

(e) the Account Debtor is located within the United States, Canada or Mexico;

(f) if the Account Debtor is located in Mexico, it is WalMart or Price Club and the Account in Mexico of such Account Debtor is in an amount, in the aggregate, not in excess of \$1,000,000;

(g) if the Account Debtor is Wilson's Leather, the Account is in an amount, in the aggregate, not in excess of \$4,000,000;

9

(h) the Account is a valid, legally enforceable obligation of the Account Debtor;

(i) the Account does not arise out of transactions with an Affiliate

other than Wilson's Leather (subject to subsection (g) of this definition);

(j) the Account does not arise out of the provision of trial services or delivery of samples or trial merchandise to customers or Account Debtors;

(k) the Account does not arise out of the sale of goods or provision of services to a customer or Account Debtor for or on account of credits arising out of prior sales or services to such customer or Account Debtor;

(l) the Borrower does not have any knowledge of any disputes in excess of \$10,000 with respect to the Account nor has anything come to the attention of the Borrower which would lead the Borrower to believe that more than \$10,000 of any such Account is in dispute and the disputed amount is excluded from the computation of Eligible Accounts;

(m) the amount of the face value of the Account is not subject to any set-offs, counterclaims, retainages or holdbacks of any type other than those set forth on the Borrowing Base Certificate which are acceptable to the Agent and the Lenders and are excluded from the computation of Eligible Accounts, is actually and absolutely owing to the Borrower and is not contingent for any reason, and, except for discounts, credits or allowances allowed by the Borrower in the ordinary course of its business for prompt payment, all of which discounts, credits or allowances are reflected in the calculation of and have been deducted from the face value of the invoice related thereto and in the calculation of the Borrowing Base;

(n) the Account is not now, and the goods or services giving rise to the Account were not at the time of the sale or provision thereof, subject to any Lien, claim, encumbrance or security interest except those of the Agent for the benefit of the Lenders and those expressly permitted under this Agreement; and

(o) neither the United States of America, nor any state, any subdivision, department, or agency of either thereof is the Account Debtor, but only with respect to more than an aggregate of \$500,000 in face amount of Accounts.

Notwithstanding the foregoing, the Collateral Monitoring Agent and the Lenders shall have the right, in the exercise of their reasonable discretion, to limit the amount of Accounts from any Account Debtor or Affiliate of any Account Debtor which shall be deemed to be "Eligible Accounts" hereunder.

"Eligible Assignee" - (i) a Lender; (ii) an Affiliate of a Lender; and (iii) subject to the prior approval of the Agent and, so long as no Event of Default shall have occurred and be continuing, the Borrower, such approval by the Agent or the Borrower not to be unreasonably withheld or delayed, (A) a commercial bank organized under the laws of the United States of America, or any State thereof, and having total assets in excess of \$500,000,000; (B) a savings

association or savings bank organized under the laws of the United States of America, or any State thereof, and having total assets in excess of \$500,000,000; (C) a commercial bank organized under the laws of any other country that is a member of the Organization for Economic Co-operation and Development ("OECD") or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow or of the Cayman Islands, or a political subdivision of any such country, and having total assets in excess of \$500,000,000, so long as such bank is acting through a branch or agency located in the United States of America; (D) the central bank of any country that is a member of the OECD; and (E) a finance company, insurance company or other financial institution or fund (whether a corporation, partnership, trust or other entity) that is engaged in making, purchasing or otherwise investing in commercial loans (of a size similar to the Loans) in the ordinary course of its business and having total assets in excess of \$500,000,000; provided, however, that neither the Borrower nor any Affiliate of the Borrower shall qualify as an Eligible Assignee under this definition.

"Eligible Inventory" - Inventory which: (i) constitutes finished goods of the Borrower or Retail; (ii) is not slow moving, obsolete or unsaleable; (iii) is currently useable or saleable in the ordinary course of the Borrower's or Retail's business; (iv) is valued in accordance with generally accepted accounting principles applied consistently with past practices of the Borrower and Retail; (v) is located on the premises listed on the exhibits attached to

this Agreement or other locations permitted under the Borrower Security Agreement or any security agreement referred to in Section 2.13, or is Inventory in transit for sale in the ordinary course of business; (vi) is not subject to any Lien or security interest whatsoever, except for the Liens and security interests expressly permitted under the Borrower Security Agreement or any security agreement referred in Section 2.13, and is not on consignment; (vii) does not include raw materials or work-in progress; (viii) is not now stored or shall not at any time hereafter be stored with a bailee, warehouseman, or similar party unless pursuant to a bailment or storage agreement to which the Agent is a party; (ix) does not include Inventory styles (A) on which the Borrower has taken a lower of cost or market markdown; or (B) of which the Borrower has more than a one year supply on hand; (x) includes Inventory subject to a license agreement which was assigned to Agent on behalf of the Lenders; and (xii) shall include finished goods Inventory consigned to the Agent under the terms of the L/C used to acquire such Inventory; provided, however, that the value of any such consigned Inventory shall be subject to a 13% reduction as a reserve for duty and freight.

"Employee Benefit Plan" - any employee benefit plan within the meaning of Section 3(3) of ERISA which (a) is maintained for employees of the Borrower or any of its ERISA Affiliates or (b) has at any time within the preceding six (6) years been maintained for employees of any Loan Party or any current or former ERISA Affiliate.

"Environmental Laws and Regulations" - all environmental, health and safety laws, regulations, resolutions, and ordinances applicable to the Borrower or any other Loan Party, or any of their respective assets or properties, including, without limitation: (i) all regulations, resolutions, ordinances, decrees, and other similar documents and instruments of all courts and governmental authorities, bureaus and agencies, domestic and foreign, whether issued

11

by environmental regulatory agencies or otherwise, and (ii) all laws, regulations, resolutions, ordinances and decrees relating to Environmental Matters.

"Environmental Liability" - any liability under any applicable law for any release of a hazardous substance caused by the seeping, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of hazardous wastes or other chemical substances, pollutants or contaminants into the environment, and any liability for the costs of any clean-up or other remedial action including, without limitation, costs arising out of security fencing, alternative water supplies, temporary evacuation and housing and other emergency assistance undertaken by any environmental regulatory body having jurisdiction over the Borrower or any other Loan Party to prevent or minimize any actual or threatened release by the Borrower or any other Loan Party of any hazardous wastes or other chemical substances, pollutants and contaminants into the environment that would endanger the public health or the environment.

"Environmental Matter(s)" - a release of any toxic or hazardous waste or other chemical substance, pollutant or contaminant into the environment or the generation, treatment, storage or disposal of any toxic or hazardous wastes or other chemical substances.

"Environmental Proceeding" - any judgment, action, proceeding or investigation pending before any court or governmental authority, bureau or agency, including, without limitation, any environmental regulatory body, with respect to or threatened against or affecting the Borrower or any other Loan Party or relating to the assets or liabilities of any of them, including, without limitation, in respect of any "facility" owned, leased or operated by any of them under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or under any state, local or municipal statute, ordinance or regulation in respect thereof, in connection with any release of any toxic or hazardous waste or other chemical substance, pollutant or contaminant into the environment, or with the generation, storage or disposal of any toxic or hazardous wastes or other chemical substances.

"ERISA" - the Employee Retirement Income Security Act of 1974, as it may be amended from time to time, and the regulations promulgated thereunder.

"ERISA Affiliate" - as applied to any Loan Party, any corporation,

person or trade or business which is a member of a group which is under common control with any Loan Party, who together with any Loan Party, is treated as a single employer within the meaning of Section 414(b) - (c) of the Code and, if applicable, Section 4001(a)(14) and (b) of ERISA.

"Eurodollar Business Day" - Business Day on which dealings in Dollar deposits are carried out in the London interbank market.

"Eurodollar Loans" - Loans that bear interest at a rate based upon the LIBOR Base Rate.

"Event(s) of Default" - as defined in Article 8.

12

"Examination Fees" - as defined in Section 2.6(h).

"Existing Acceptances" - the aggregate amount of Acceptances outstanding on the Closing Date.

"Existing Obligations" - collectively, the Existing Loan and L/C Obligations and all other indebtedness, liabilities and obligations of the Borrower to the Lenders under the Original Loan Agreement.

"Existing Loans" - the aggregate amount of Loans made by the Lenders and outstanding on the Closing Date.

"Existing Loan and L/C Obligations" - collectively, the Existing Loans and the obligations of the Borrower and certain of its Affiliates in respect of Existing Standby L/Cs, Existing Trade L/Cs, Existing Steamship Guaranties and Airway Releases and Existing Acceptances.

"Existing Standby L/Cs" - the aggregate face or stated maximum drawable amount (and to the maximum amount when a range of amounts is specified) of Standby L/Cs issued by the Agent outstanding on the Closing Date.

"Existing Steamship Guaranties and Airway Releases" - the aggregate face or stated amount of Steamship Guaranties and Airway Releases issued by the Agent and outstanding on the Closing Date.

"Existing Trade L/Cs" - the aggregate face or stated maximum drawable amount (and to the maximum amount when a range of amounts is specified) of Trade L/Cs issued by the Agent outstanding on the Closing Date.

"Federal Funds Rate" - for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (New York time) on such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent in its sole discretion.

"Fee(s)" - as defined in Section 2.6(j).

"Financial Statements" - the audited consolidated balance sheet of the Parent and the Subsidiaries (including the Borrower) as at January 31, 2002, together with the related consolidated statement of income and retained earnings and statement of cash flow for the fiscal year then ended.

13

"Fiscal Year" - with respect to the Borrower, the twelve-month period ending on January 31 of each year (so that, by way of example, Fiscal Year 2003 shall be the period commencing on February 1, 2002 and ending on January 31, 2003).

"Fixed Charge Coverage Ratio" - at any date of determination, the ratio of (i) EBITDA of the Parent and its Subsidiaries (including the Borrower) on a consolidated basis in accordance with generally accepted accounting principles to (ii) Fixed Charges, for the four fiscal quarters ending on such date or, if such date is not the last day of a fiscal quarter, for the immediately preceding

four fiscal quarter period.

"Fixed Charges" - for any period, the sum of, without duplication, (i) Capital Expenditures made during such period by the Parent and its Subsidiaries (including the Borrower), (ii) cash income taxes paid during such period by the Parent and its Subsidiaries (including the Borrower), (iii) all interest and all amortization of Indebtedness, amortized discount and expense on all Indebtedness for borrowed money of the Parent and its Subsidiaries (including the Borrower) for such period, (iv) the portion of any rents payable under Capital Leases allocable to interest expense by the Parent and its Subsidiaries (including the Borrower) in accordance with generally accepted accounting principles and (v) the aggregate amount of cash dividends paid by the Parent in respect of, and purchases by the Parent of, its capital stock during such period.

"Fleet" - as defined in the preamble hereof.

"Forfeiture Proceeding" - any action, proceeding or investigation affecting the Borrower, the Parent or any of its Subsidiaries or Affiliates before any court, governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or the receipt of notice by any such party that any of them is a suspect in or a target of any governmental inquiry or investigation, which may result in an indictment of any of them or the seizure or forfeiture of any of their property.

"G-III Brands" - G-III Brands, Ltd., a Delaware corporation.

"Global" - Global International Trading Company, a Korean corporation.

"Governmental Acts" - as defined in Section 2.18(d).

"Granting Bank" - as defined in Section 10.13(i).

"Guarantee Agreement" - the Amended and Restated Guarantee Agreement dated as of the Closing Date, in form and substance satisfactory to the Agent, among the Guarantors, the Borrower and the Agent for the benefit of the Lenders, the Collateral Monitoring Agent and the Issuing Bank, as amended, restated, supplemented or otherwise modified from time to time.

"Guarantors" - collectively, the Corporate Guarantors, Hong Kong, Balihides, Wee Beez and Kostroma and each other Person that executes and delivers the Guarantee Agreement.

14

"Hanil Bank" - P.T. Hanil Tamara Bank.

"Hedge Bank" - any Lender in its capacity as a party to a Bank Swap Contract.

"Holdings" - Indawa Holding Corp., a Delaware corporation and a wholly-owned Subsidiary of the Parent.

"Hong Kong" - G-III Hong Kong Ltd., a Hong Kong corporation.

"Indebtedness" - with respect to any Person, all: (i) liabilities or obligations, direct and contingent, which in accordance with generally accepted accounting principles would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person at the date as of which Indebtedness is to be determined, including, without limitation, contingent liabilities that in accordance with such principles, would be set forth in a specific Dollar amount on the liability side of such balance sheet; (ii) liabilities or obligations of others for which such Person is directly or indirectly liable, by way of guaranty (whether by direct guaranty, suretyship, discount, endorsement, take-or-pay agreement, agreement to purchase or advance or keep in funds or other agreement having the effect of a guaranty) or otherwise; (iii) liabilities or obligations secured by Liens on any assets of such Person, whether or not such liabilities or obligations shall have been assumed by it; (iv) liabilities or obligations of such Person, direct or contingent, with respect to letters of credit issued for the account of such Person and bankers acceptances created for such Person; (v) Asset Securitization Recourse Liabilities to the extent, but only to the extent that such obligations have matured; (vi) Capital Lease Obligations and Synthetic Lease Obligations of such Person (the amount of any Capital Lease Obligation or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable

Indebtedness in respect thereof as of such date); and (vii) liabilities or obligations of such Person in respect of Bank Swap Contracts.

"Interest Period" - with respect to any Eurodollar Loan, each period commencing on the date such Loan is made or converted from a Prime Rate Loan or Loans, or with respect to Eurodollar Loans, the last day of the next preceding Interest Period with respect to such Eurodollar Loan, and ending on the same day in the first, second or third calendar month thereafter, as the Borrower may select as provided in Section 2.3, except that each such Interest Period that commences on the last Eurodollar Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Eurodollar Business Day of the appropriate subsequent calendar month. Notwithstanding the foregoing: (i) each Interest Period that would otherwise end on a day that is not a Business Day shall end on the next succeeding Business Day (or, in the case of an Interest Period for Eurodollar Loans, if such next succeeding Eurodollar Business Day falls in the next succeeding calendar month, on the next preceding Eurodollar Business Day); (ii) each borrowing of Eurodollar Loans from the Lenders and each conversion of Prime Rate Loans into Eurodollar Loans shall be in an amount not less than \$1,550,000 in the aggregate; (iii) any Interest Period for any type of Loan shall end no later than the Commitment Termination Date; and (iv) notwithstanding clause (iii) above, no Interest Period shall have a duration of less than one month or greater than three months. In the event that the Borrower fails to select the

15

duration of any Interest Period for any Loan within the time period and otherwise as provided in Section 2.3, such Loans will be automatically converted into a Prime Rate Loan on the last day of the preceding Interest Period for such Loan.

"Inventory" - inventory of any of the Loan Parties, including finished products, goods in transit, returns and supplies, licenses as listed on Schedule 1.1 which may be amended from time to time, packaging materials and all other items which contribute to the promotion or sale thereof and spare parts (until affixed to the machinery or equipment to which they relate).

"Investment" - by any Person:

(a) the amount paid or committed to be paid, or the value of property or services contributed or committed to be contributed, by such Person for or in connection with the acquisition by such Person of any stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person; and

(b) the amount of any advance, loan or extension of credit by such Person, to any other Person, or guaranty or other similar obligation of such Person with respect to any Indebtedness of such other Person, and (without duplication) any amount committed to be advanced, loaned, or extended by such Person to any other Person, or any amount the payment of which is committed to be assured by a guaranty or similar obligation by such Person for the benefit of, such other Person.

"IRS" - Internal Revenue Service or any successor agency performing the same functions.

"Issuing Bank" - as defined in the preamble hereof.

"Key Item Report" - is defined in Section 5.10(c) (ii).

"Kostroma" - Kostroma Ltd., a Hong Kong corporation.

"Latest Balance Sheet" - as defined in Section 3.9(a).

"L/C(s)" - Trade L/Cs and/or Standby L/Cs.

"Leases" - leases and subleases (other than Capitalized Leases), licenses for the use of real property, easements, grants, and other attachment rights and similar instruments under which the Borrower has the right to use real or personal property or rights of way.

"Lender(s)" - as defined in the preamble hereof.

"Lender's Commitment" - the amount set forth next to each Lender's name on the signature pages hereto.

"Lender's Share" - with respect to any Lender, such Lender's pro rata share determined at any time as its Lender's Commitment as a percentage of the Commitment.

16

"LIBOR Base Rate" - with respect to any Eurodollar Loan, for any Interest Period applicable thereto, the rate per annum as determined on the basis of the offered rates for deposits in Dollars, for a period of time comparable to such Interest Period for such Eurodollar Loan which appears on the Telerate page 3750 as of 11:00 a.m. London time on the day that is two (2) Eurodollar Business Days preceding the first day of such Interest Period for such Eurodollar Loan; provided, however, if the rate described above does not appear on the Telerate System on any applicable interest determination date, the LIBOR Base Rate shall be the rate (rounded upwards, if necessary, to the nearest one hundred-thousandth of a percentage point), determined on the basis of offered rates for deposits in Dollars for a period of time comparable to the Interest Period for such Eurodollar Loan which are offered by four major banks in the London interbank market at approximately 11:00 a.m. London time, on the day that is two (2) Eurodollar Business Days preceding the first day such Interest Period for such Eurodollar Loan as selected by the Agent. The principal London office of each of the four major London banks will be requested to provide a quotation of its Dollar deposit offered rate. If at least two such quotations are provided, the rate for that date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that date will be determined on the basis of the rates quoted for loans in Dollars to leading European banks for a period of time comparable to such Interest Period for such Eurodollar Loan offered by major banks in New York City at approximately 11:00 a.m., New York City time, on the day that is two (2) Eurodollar Business Days preceding the first day of such Eurodollar Loan. In the event that the Agent is unable to obtain any such quotation as provided above, it will be deemed that the LIBOR Base Rate pursuant to a Eurodollar Loan cannot be determined.

"LIBOR Rate" - for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Agent to be equal to the quotient of: (a) (x) the LIBOR Base Rate for such Loan for such Interest Period; divided by (y) 1 minus the Reserve Requirement for such Loan for such Interest Period.

"License Company" - G-III License Company, LLC, a Delaware limited liability company.

"Lien" - any mortgage, deed of trust, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing), any conditional sale or other title retention agreement, any lease in the nature of any of the foregoing, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction.

"Loan(s)" - as defined in Section 2.1(d).

"Loan Documents" - (a) this Agreement, (b) the Notes, (c) the Guarantee Agreement, (d) the Security Documents, (e) the L/Cs, (f) the Applications, (g) the Acceptances, (h) the Continuing Agreements for Issuance of Steamship Guaranties and Airway Releases and (i) the Bank Swap Contracts to which any Loan Party is a party and all other agreements executed and delivered in connection herewith or therewith, including all amendments, modifications and supplements of or to all such agreements.

17

"Loan Party(ies)" - individually (or collectively in the case of Loan Parties), the Borrower, the Parent, any Subsidiary, any Guarantor, and any other Person (other than the Lenders and the Agent) which now or hereafter executes and delivers to any Lender or the Agent any Loan Document.

"Lockbox" - as defined in Section 2.21(b).



"Lockbox Agreement" - as defined in Section 2.21(b).

"Majority Lenders" - Lenders having at least 66-2/3% of the aggregate amount of Commitments whether or not Loans or other Obligations are outstanding hereunder; provided, however, that the vote of 100% of the Lenders shall at all times be required for all matters not specifically to be determined by Majority Lenders hereunder, including, but not limited to, extension of the term, increase in Commitments, change in interest rates, release of Collateral and/or Guarantors, any change to the definition of Majority Lenders and the determination pursuant to Section 9.10 that certain asset based lending provisions set forth herein are no longer required.

"Management Fees" - for any period, all fees, emoluments or similar compensation paid or incurred by any Person (other than any such fees, emoluments or similar compensation, including, without limitation, usual and customary director's fees payable by the Parent to its directors, paid to or incurred and payable to the Borrower, the Parent or any of the Subsidiaries) in respect of services rendered in connection with the management or supervision of the management of such Person, other than salaries, bonuses and other compensation paid to any full time executive employee in respect of such full time employment.

"Monthly Dates" - the last Business Day of each calendar month.

"Multiemployer Plan" - a "multiemployer plan" as defined in Section 4001(a)(3) or ERISA to which any Loan Party or any ERISA Affiliate is making, or is accruing an obligation to make, contributions or has made, or been obligated to make, contributions within the preceding six (6) years.

"Note(s)" - as defined in Section 2.4.

"Obligations" - collectively, all of the Indebtedness, liabilities and obligations of the Borrower to the Lenders, the Agent, the Collateral Monitoring Agent and the Issuing Bank, whether now existing or hereafter arising, whether or not currently contemplated, including, without limitation, liabilities and obligations to repay Loans and Acceptances and pay Fees, liabilities and obligations with respect to L/Cs, Steamship Guaranties and Airway Releases, and all other Indebtedness, liabilities and obligations arising under the Loan Documents.

"Original Borrower Security Documents" - as defined in Section 2.13(a).

"Original Guaranties" - as defined in Section 2.12.

"Original Guarantor Security Documents" - as defined in Section 2.13(b).

"Original Loan Agreement" - as defined in the recitals hereto.

"Outstanding Obligations" - the aggregate principal and/or face (or stated) amount, as applicable, of all outstanding Obligations; provided, that for purposes of calculating Availability, the outstanding Obligations under Bank Swap Contracts shall be calculated by including the following percentages of such Obligations: (i) 20% of the face amount of foreign currency exchange Bank Swap Contracts (other than foreign currency Bank Swap Contracts related to the Indonesian Rupiah), (ii) 25% of the face amount of foreign currency exchange Bank Swap Contracts related to the Indonesian Rupiah and (iii) 2% of the face amount of all other Bank Swap Contracts.

"Outstanding L/Cs" - the aggregate face or stated maximum drawing amount (and to the maximum amount when a range of amounts is specified) of all outstanding L/Cs.

"Overadvance" - for each period set forth below, the amount set forth opposite such period:

Period	Overadvance
-----	-----
Closing Date to and including May 31, 2002	\$25,000,000
June 1, 2002 to and including July 26, 2002	\$32,000,000
July 27, 2002 to and including August 26, 2002	\$27,500,000

August 27, 2002 to and including September 29, 2002	\$18,000,000
September 30, 2002 to and including October 30, 2002	\$5,000,000
October 31, 2002 to and including the Commitment Termination Date	\$-0-

and the respective periods and amounts for each of Fiscal Year 2004, Fiscal Year 2005 and the Stub Period shall be as preliminarily determined by the Lenders and the Borrower based on the Projections and the business plan (in each case delivered pursuant to Section 5.10(e)) for Fiscal Year 2004, Fiscal Year 2005 and Fiscal Year 2006, respectively, and the unaudited financial statements (delivered pursuant to Section 5.10(e)) for Fiscal Year 2003, Fiscal Year 2004 and Fiscal Year 2005, respectively, but in no event shall the periods be of different durations or the amounts be less than the amounts for the periods corresponding to the periods set forth above

19

unless the Lenders determine (in their reasonable discretion) that such periods and amounts warrant adjustment based upon such Projections, business plan or unaudited financial statements, which preliminary determination shall be made within 70 days of receipt by the Lenders of such Projections, business plan and unaudited financial statements and such preliminary determination shall become effective after receipt and satisfactory review by the Lenders of the Financial Statements for Fiscal Year 2003, Fiscal Year 2004 and Fiscal Year 2005, respectively; provided, however, that with respect to the Overadvance at all times (x) the then applicable Overadvance amount and all subsequent Overadvance amounts shall be reduced by (i) 50% of all tax refunds paid to the Borrower or the Parent (or paid to the Collection Account, in accordance with the terms hereof), (ii) the proceeds of the sale of any assets other than in the ordinary course of business, and (iii) 50% of the proceeds of any sale-leaseback, all of such reductions to be effective immediately upon the Borrower's receipt (or, if applicable, the Collateral Monitoring Agent's receipt for the account of the Borrower) of such refunds or proceeds; but there shall be no reduction to the then applicable Overadvance amount in the case of any sale-leaseback of newly acquired assets, provided, that (A) the sale-leaseback transaction is closed within 90 days of the acquisition of the assets and (B) both the acquisition and the closing of the sale-leaseback are completed during the same Fiscal Year; and (y) at any time when Outstanding Obligations have exceeded the Borrowing Base as a result of (A) Accounts or Inventory believed to be Eligible Accounts or Eligible Inventory, as the case may be, in fact being or becoming ineligible or (B) the return of uncollected checks or other items applied to reduce Loans, the Collateral Monitoring Agent shall have the discretion to continue to advance Loans and to instruct the Issuing Bank to issue L/Cs, Acceptances, Steamship Guaranties and Airway Releases, as the case may be, up to an amount which would result in the relevant Overadvance amount specified above being exceeded by a factor of 10% (it being understood that the Collateral Monitoring Agent shall advise the Lenders of all such issuances and advances within 24 hours); and (z) the applicable Overadvance amount shall be increased by the amount of (1) any cash collateral held by the Collateral Monitoring Agent for the sole purpose of securing such increases to the applicable Overadvance amount, and (2) any amounts invested in U.S. government securities or money market mutual funds backed by U.S. government securities maintained in an account with Fleet by the Borrower or the Parent and pledged or assigned to the Agent for the benefit of the Lenders by the Borrower or the Parent, as the case may be, as collateral security for the Obligations pursuant to documentation satisfactory to the Majority Lenders.

"Parent" - G-III Apparel Group, Ltd., a Delaware corporation and the holder of 100% of the issued and outstanding capital stock of the Borrower.

"Payment Office" - the office of each Lender set forth on the signature page hereof as the lending office of such Lender.

"Payor" - as defined in Section 2.20.

"PBGC" - Pension Benefit Guaranty Corporation or any successor entity performing the same functions.

20

"Pension Plan" - at any time an employee pension benefit plan that is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either: (i) maintained by the Borrower or any

ERISA Affiliate for employees of the Borrower, or by the Borrower for any ERISA Affiliate, or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which the Borrower or any ERISA Affiliate is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"Permitted Liens" - as to any Person: (i) pledges or deposits by such Person under workers' compensation laws, unemployment insurance laws, social security laws, or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness of such Person), or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits or pledges of Cash or United States Government Bonds to secure surety, appeal, performance or other similar bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent; (ii) Liens imposed by law, in the aggregate, in an amount not in excess of \$50,000, such as carriers', warehousemen's, materialmen's and mechanics' liens, or Liens arising out of judgments or awards against such Person with respect to which such Person at the time shall currently be prosecuting an appeal or proceedings for review and for which appropriate reserves have been allocated; (iii) Liens for taxes not yet subject to penalties for non-payment and Liens for taxes the payment of which is being contested as permitted by Section 6.6 and for which appropriate reserves have been allocated; and (iv) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of, others for rights of way, highways and railroad crossings, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties, or Liens incidental to the conduct of the business of such Person or to the ownership of such Person's property that were not incurred in connection with Indebtedness of such Person, all of which Liens referred to in the preceding clause (iv) do not in the aggregate materially detract from the value of the properties to which they relate or materially impair their use in the operation of the business taken as a whole of such Person, and as to all the foregoing only to the extent arising and continuing in the ordinary course of business.

"Permitted Subordinated Funded Debt" - unsecured Indebtedness of the Borrower or the Parent that is subordinated to the Obligations on terms and conditions satisfactory to the Lenders in their sole discretion (which shall include, without limitation, covenants not more restrictive than the covenants set forth in this Agreement and appropriate standstill provisions) in an aggregate outstanding principal amount not to exceed \$20,000,000 at any time.

"Person" - an individual, a corporation, a partnership, a limited liability company, a joint venture, a trust or unincorporated organization, a joint stock company or other similar organization, a government or any political subdivision thereof, a court, or any other legal entity, whether acting in an individual, fiduciary or other capacity.

"Post-Default Rate" - (i) in respect of any Loans not paid when due (whether at stated maturity, by acceleration or otherwise), a rate per annum during the period commencing

21

on the due date until such Loans are paid in full equal to (a) if such Loans are Prime Rate Loans, 2% above the Prime Rate as in effect from time to time for Prime Rate Loans, or (b) if such Loans are Eurodollar Loans, 2% above the rate of interest in effect thereon at the time of such default until the end of the then current Interest Period therefor and, thereafter, 2% above the Prime Rate as in effect from time to time for Prime Rate Loans; and (ii) in respect of other amounts payable by the Borrower hereunder (other than interest) not paid when due (whether at stated maturity, by acceleration or otherwise), a rate per annum during the period commencing on the due date until such other amounts are paid in full equal to 2% above the Prime Rate as in effect from time to time for Prime Rate Loans.

"Prime Rate" - the interest rate established from time to time by Fleet as its prime rate. Notwithstanding the foregoing, the Borrower acknowledges that Fleet may regularly make domestic commercial loans at rates of interest less than the rate of interest referred to in the preceding sentence. Changes in the rate of interest resulting from changes in the Prime Rate shall take place immediately without notice or demand of any kind.

"Prime Rate Loans" - Loans that bear interest at a rate based upon the Prime Rate.

"Projections" - the balance sheets, income statements and statements of cash flow of the Borrower, prepared by the Borrower, as at, and for Fiscal Year 2003, Fiscal Year 2004, Fiscal Year 2005 and Fiscal Year 2006, as applicable.

"Purchase Money Security Interest" - as defined in Section 7.2(c).

"Regulation D" - Regulation D of the Board of Governors of the Federal Reserve System, as the same may be amended or supplemented from time to time.

"Regulatory Change" - as to any Lender, any change after the date of this Agreement in United States federal, state or foreign laws or regulations (including Regulation D) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks including such Lender of or under any United States federal, state, or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Related Fund" - as defined in Section 10.13(a).

"Required Payment" - as defined in Section 2.20.

"Reserve Requirement" - the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed on member banks of the Federal Reserve System against "Euro-currency Liabilities" as defined in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Retail" - G-III Retail Outlets Inc., a Delaware corporation.

22

"Security" - as defined in Section 2(1) of the Securities Act of 1933, as amended; provided, however, that Asset Securitization Recourse Liabilities shall not constitute "Securities" except (i) to the extent that such obligations arise from the Borrower's obligation to repurchase receivables or other assets as a result of a default in payment by the obligor thereunder or any other default in performance by such obligor under any agreement related to such receivables or (ii) if the Borrower shall maintain a reserve account containing Cash or Securities in respect of any such obligations or shall retain or purchase a subordinated interest therein to the extent of the amount of such reserve account or subordinated interest.

"Security Agreement" - the Amended and Restated Security Agreement dated as of the Closing Date, in form and substance satisfactory to the Agent, between the Borrower, the Corporate Guarantors and the Agent for the benefit of the Lenders, the Collateral Monitoring Agent and the Issuing Bank, as amended, restated, supplemented or otherwise modified from time to time.

"Security Documents" - collectively, the Security Agreement and each other security agreement, instrument or other document heretofore delivered to the Agent or executed and delivered from time to time pursuant to Section 6.15 or 10.8 to secure any of the Obligations, in each case as amended, restated, supplemented or otherwise modified from time to time.

"Settlement Period" - as defined in Section 2.3(b).

"Siena" - Siena Leather Ltd., a New York corporation.

"Sources" - Global Apparel Sourcing, Ltd., a Delaware corporation.

"SPC" - as defined in Section 10.13(i).

"SPV" - with respect to any Person, a special purpose corporation or grantor trust established solely for the purpose of purchasing receivables of such Person for Cash in an amount equal to the fair market value of such receivables.

"Standby L/Cs" - as defined in Section 2.1(b)(ii) and including the Existing Standby L/Cs which continue to be outstanding, all of which shall provide for an expiration date no later than August 31, 2005 and shall be cash

collateralized on and after June 1, 2005 as provided in Section 2.2(f).

"Standby L/C Fee" - as defined in Section 2.6(d).

"Steamship Guaranties" - as defined in Section 2.1(e).

"Stub Period" - the period from February 1, 2005 through and including the Commitment Termination Date.

"Subsidiary" - with respect to any Person, any corporation, limited liability company, partnership or joint venture whether now existing or hereafter organized or acquired:

23

(i) in the case of a corporation, of which a majority of the securities having ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) are at the time owned by such Person and/or one or more Subsidiaries of such Person, or (ii) in the case of a partnership, limited liability company or joint venture in which such Person is a general partner, member or joint venturer, as the case may be or of which a majority of the partnership or other ownership interests are at the time owned by such Person and/or one or more of its Subsidiaries. Unless the context otherwise requires, references in this Agreement to "Subsidiary" or "Subsidiaries" shall be deemed to be references to a Subsidiary or Subsidiaries of the Parent.

"Swap Contracts" - (i) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (ii) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Synthetic Lease Obligation" - the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

"Tangible Net Worth" - the sum of capital surplus, earned surplus and capital stock, less intangibles and treasury stock, all as determined in accordance with generally accepted accounting principles consistently applied, provided, however, for any date of determination of Tangible Net Worth occurring on or after the decision by the board of directors or management of the Parent to terminate the business of Balihides, there shall be added to Tangible Net Worth an amount of up to \$900,000, representing on an after-tax basis, charges taken in connection with such decision, to the extent such charges have caused a reduction in Tangible Net Worth.

"Termination Event" - (a) a "Reportable Event" described in Section 4043 of ERISA and the regulations issued thereunder; or (b) the withdrawal of any Loan Party or any ERISA Affiliate from a Pension Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or was deemed such under Section 4068(f) of ERISA;

24

or (c) the termination of a Pension Plan, the filing of a notice of intent to terminate a Pension Plan or the treatment of a Pension Plan amendment as a

termination under Section 4041 of ERISA; or (d) the institution of proceedings to terminate a Pension Plan by the PBGC; or (e) any other event or condition which would constitute grounds under Section 4042(a) of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; or (f) the partial or complete withdrawal of any Loan Party or any ERISA Affiliate from a Multiemployer Plan; or (g) the imposition of a Lien pursuant to Section 412 of the Code or Section 302 of ERISA; or (h) any event or condition which results in the reorganization or insolvency of a Multiemployer Plan under Section 4241 or Section 4245 of ERISA, respectively; or (i) any event or condition which results in the termination of a Multiemployer Plan under Section 4041A of ERISA or the institution by the PBGC of proceedings to terminate a Multiemployer Plan under Section 4042 of ERISA.

"Time Trade L/Cs" - Trade L/Cs issued on time terms (which shall be limited to 60 days past sight).

"Trade L/Cs" - sight and time letters of credit issued in favor of beneficiaries specified by the Borrower in order to facilitate the transportation or purchase of goods from foreign vendors by the Borrower in the ordinary course of its business, which goods are consigned to the Issuing Bank pursuant to the terms of the Application or otherwise, all of which (i) shall have an expiration date of no later than August 31, 2005, (ii) shall be cash collateralized on and after June 1, 2005 as provided in Section 2.2(f), and (iii) shall include Existing Trade L/Cs.

"Trademarks" - trademarks, trade names, service marks, trademark applications, trademark registrations and rights with respect to the foregoing.

"Transactional Fees" - as defined in Section 2.6(e).

"UCC" - with respect to any jurisdiction, the Uniform Commercial Code as then in effect in that jurisdiction.

"Unpaid Drawings" - as defined in Section 2.2(c).

"Unused Commitment" - as at any date, for each Lender, the difference, if any, between: (a) the amount of such Lender's Commitment as in effect on such date, minus (b) the sum of the then outstanding principal amount of all Loans made by such Lender and such Lender's pro rata share of all Outstanding L/Cs and outstanding Acceptances, Airway Releases and Steamship Guarantees at such time.

"Unused Commitment Fee" - as defined in Section 2.6(b).

"Wee Beez" - Wee Beez International Limited, a Hong Kong corporation.

"Wilson's Leather" - Wilson's The Leather Experts Inc., a Minnesota corporation.

#### Section 1.2 Other Definitional Provisions; Construction.

(a) All terms defined in this Agreement in the singular shall have comparable meanings when used in the plural, and vice versa.

(b) The words "hereof," "hereby," "herein," and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provisions of this Agreement, the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this Agreement, and Article, Section, schedule, exhibit, annex and like references are to this Agreement unless otherwise specified.

(c) Any defined term which relates to a document shall include within its definition any amendments, modifications, renewals, restatements, extensions, supplements, or substitutions which may have been heretofore or may be hereafter executed in accordance with the terms thereof and hereof.

(d) References in this Agreement to particular sections of the Code, ERISA or any other legislation shall be deemed to refer also to any successor sections thereto or other redesignations for codification purposes.

(e) All terms defined in the UCC and not otherwise defined or modified herein shall have the same respective meanings as are given to such terms in the UCC.

(f) Any accounting terms used in this Agreement that are not specifically defined herein shall have the meanings customarily given to them in accordance with generally accepted accounting principles as in effect on the date hereof, except that references in Article 5 to such principles shall be deemed to refer to such principles as in effect on the date of the financial statements delivered pursuant thereto.

(g) The headings used in this Agreement and the table of contents are for convenience only and shall not be deemed to constitute a part hereof.

(h) All uses herein of the masculine gender or of singular or plural terms shall be deemed to include uses of the feminine or neuter gender, or plural or singular terms, as the context may require.

## ARTICLE 2. REVOLVING CREDIT FACILITY.

### Section 2.1 Letters of Credit; Acceptances; Loans; Steamship Guaranties; Airway Releases.

(a) During the Credit Period and upon the Borrower's application therefor as hereinafter provided, the Issuing Bank shall, subject to the terms and conditions hereof, for the Lenders pro rata according to their respective commitments, issue Trade L/Cs, Standby L/Cs, Acceptances, Airway Releases and Steamship Guaranties for the account of the Borrower. During the Credit Period and upon the Borrower's application therefor as hereinafter provided,

26

the Collateral Monitoring Agent shall, subject to the terms and conditions hereof, for the Lenders pro rata according to their respective shares of the Commitment, advance Loans to or for the account of the Borrower.

(b) (i) During the Credit Period, the Borrower may apply to the Issuing Bank for the issuance by the Issuing Bank on behalf of the Lenders of one or more Trade L/Cs for the account of the Borrower; provided, however, that (i) the amount of any Trade L/C to be issued shall not exceed the Availability, (ii) the aggregate amount of all Time Trade L/Cs and Acceptances outstanding at any one time shall not exceed \$3,000,000 and (iii) no Trade L/Cs shall expire on a date later than August 31, 2005 and shall be collateralized on and after June 1, 2005 as provided in Section 2.2(f).

(ii) During the Credit Period, the Borrower may apply to the Issuing Bank for the issuance by the Issuing Bank on behalf of the Lenders of one or more standby letters of credit for the account of the Borrower (each a "Standby L/C" and, collectively, the "Standby L/Cs"); provided, however, that (i) the amount of any Standby L/C to be issued shall not exceed the Availability, (ii) the sum of the amount of Standby L/Cs outstanding at any one time and the aggregate amount of drawings under Standby L/Cs during the Credit Period shall not exceed \$5,000,000, (iii) in the case of Standby L/Cs issued in order to facilitate the transportation or purchase of goods from a foreign vendor, the goods are consigned to the Issuing Bank pursuant to the terms of the applicable Application or otherwise, and (iv) no Standby L/Cs shall expire on a date later than May 31, 2005.

(c) During the Credit Period, the Borrower may apply to the Issuing Bank for the issuance by the Issuing Bank on behalf of the Lenders of one or more Acceptances; provided, however, that (i) the aggregate amount of all Time Trade L/Cs and Acceptances outstanding at any one time shall not exceed \$3,000,000, and (ii) all Acceptances shall be issued only in connection with the presentation of drafts under outstanding Time Trade L/Cs issued in accordance with the terms hereof.

(d) During the Credit Period, the Borrower may apply to the Collateral Monitoring Agent for the advance by the Collateral Monitoring Agent on behalf of the Lenders of a loan or loans (each a "Loan" and, collectively, the "Loans"), and subject to the terms hereof, during the Credit Period, the Borrower may borrow, prepay, repay (provided that prepayment or repayment of Eurodollar Loans shall be subject to the provisions of Section 2.26) and reborrow by means of Prime Rate Loans or Eurodollar Loans, and during such period and thereafter until the date of payment in full of all of the Loans, the Borrower may convert Loans of one type into Loans of another type as provided in Section 2.23; provided, however, that the amount of any Loan to be advanced shall not exceed the Availability.

(e) During the Credit Period, the Borrower may apply to the Issuing Bank for the issuance by the Issuing Bank on behalf of the Lenders of one or more steamship guaranties (each a "Steamship Guaranty" and, collectively, the "Steamship Guaranties") or airway releases (each an "Airway Release" and, collectively, "Airway Releases"); provided, however, that any

27

amount of any Steamship Guaranty or Airway Release to be issued shall not exceed the Availability.

(f) The parties acknowledge that as of the date hereof: (i) the Existing Loans are in the amount of \$2,242,308.19 and that such Existing Loans are hereby extended and renewed and shall constitute "Loans" hereunder in such amount, subject to the terms and conditions hereof; (ii) Existing Trade L/Cs are in the amount of \$6,388,887.06 and shall constitute "Trade L/Cs" hereunder in such amount, subject to the terms and conditions hereof; (iii) Existing Acceptances are in the amount of \$0 and shall constitute "Acceptances" hereunder in such amount, subject to the terms and conditions hereof; (iv) Existing Standby L/Cs are in the amount of \$1,080,389.50 and shall constitute "Standby L/Cs" hereunder in such amount, subject to the terms and conditions hereof; and (v) Existing Steamship Guaranties and Airway Releases are in the amount of \$43,364.40 and shall constitute "Steamship Guaranties" and "Airway Releases" hereunder, as the case may be, in such amount subject to the terms and conditions hereof.

(g) As of the date hereof, the Lenders have adjusted the outstanding principal amount of the Obligations owing to each Lender so that each Lender holds no more than its Lender's Share of the Obligations after giving effect to this Agreement.

#### Section 2.2 Applications for Letters of Credit, Steamship Guaranties and Airway Releases.

(a) Subject to the provisions of Section 2.1(b), upon the execution and delivery or electronic transmission by the Borrower simultaneously to the Issuing Bank and the Collateral Monitoring Agent of the Issuing Bank's standard form of application for letter of credit (individually, an "Application", and collectively, the "Applications") and upon payment by the Borrower of the applicable fees provided for in Section 2.6 and receipt of instructions from the Collateral Monitoring Agent as to Availability, the Issuing Bank shall, subject to the terms and conditions hereof, in a timely manner in accordance with its standard operating procedures, issue an L/C for the account of the Borrower. In the event of any conflict, discrepancy or any omission of terms provided herein between the terms established by the Issuing Bank in its Application or otherwise and this Loan Agreement, the terms provided herein shall prevail.

(b) Subject to the provisions of Section 2.1(e), upon the execution and delivery or electronic transmission by the Borrower simultaneously to the Issuing Bank and the Collateral Monitoring Agent of an application therefor, the Issuing Bank shall, subject to the terms and conditions hereof and receipt of instructions from the Collateral Monitoring Agent as to Availability, in a timely manner in accordance with its standard operating procedures, issue Steamship Guaranties or Airway Releases. Any such Steamship Guaranties or Airway Releases shall be subject to the terms of the Continuing Agreement for Issuance of Steamship Guaranties and Airway Releases.

(c) The Borrower shall reimburse the Issuing Bank in immediately available funds at the Issuing Bank's Payment Office on the same day as demand therefor is made by the

28

Issuing Bank for any payment made by the Issuing Bank under an L/C (all such amounts so paid until paid, are hereinafter referred to as "Unpaid Drawings").

(d) The Borrower hereby irrevocably instructs the Collateral Monitoring Agent to advance to the Issuing Bank from any account of the Borrower with the Collateral Monitoring Agent and, to the extent sufficient Availability exists to advance Loans, to pay any Unpaid Drawings. In the event that at any time there are not sufficient funds in any account of the Borrower with the Collateral Monitoring Agent to pay any Unpaid Drawing or sufficient Availability for



payment of such Unpaid Drawing, the Collateral Monitoring Agent shall nevertheless advance funds to pay such Unpaid Drawings and any funds advanced by the Agent in payment thereof shall be treated as Loans, but shall be due and payable immediately and shall bear interest which shall accrue from the date such funds were advanced until paid in full at the Post-Default Rate.

(e) The Borrower's obligations under this Section 2.2 to reimburse the Issuing Bank with respect to Unpaid Drawings (including interest thereon) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against the Issuing Bank, including (without limitation, but subject nonetheless to the provisions of Section 2.18) any defense based on the failure of any drawing under the L/C to conform to the terms of such L/C or any non-application or misapplication by the beneficiary of the L/C of the proceeds of such drawing.

(f) If, notwithstanding the other provisions of this Section 2.2, on the Commitment Termination Date there are any L/Cs, Steamship Guaranties or Airway Releases which either (x) have not expired or been terminated with the consent of the Borrower and the respective beneficiaries thereof or (y) have expired by their terms within the 30-day period prior to the Commitment Termination Date and the Collateral Monitoring Agent has not yet been able to determine whether conforming drafts have been presented on a timely basis, then this Agreement (including, without limitation, this Section 2.2 and Section 2.18) and the respective rights, obligations and covenants of the Borrower, the Agent, the Collateral Monitoring Agent, the Issuing Bank and the Lenders under this Agreement and the other Loan Documents shall remain in full force and effect until the date on which the last of the L/Cs, Steamship Guaranties or Airway Releases expires or is terminated (with the consent of the Borrower and the beneficiaries thereof) and all payments made by the Issuing Bank under the L/Cs, the Acceptances, the Steamship Guaranties and Airway Releases are reimbursed in full by the Borrower, except that the Commitment shall terminate on the Commitment Termination Date and none of the Lenders, the Issuing Bank or the Agent shall have any obligation after the Commitment Termination Date to make Loans or to issue L/Cs, Acceptances, Steamship Guaranties or Airway Releases hereunder. In addition, the Borrower shall, for the period beginning on the day after the Commitment Termination Date and ending on the date which is the later of (x) the last outstanding L/C, Steamship Guaranty or Airway Release expires or is terminated and (y) the 30th day following the expiration of any L/C, Steamship Guaranty or Airway Release which expired during the 30-day period prior to the Commitment Termination Date, with respect to any such Indebtedness of the Borrower, provide the Issuing Bank with (1)

29

collateral in the form of Cash in an amount equal to 103% of the full amount of any such L/C, Steamship Guaranty or Airway Release or (2) a letter of indemnification with respect to, or a letter of credit issued to secure payment of, each such L/C, Steamship Guaranty or Airway Release from a financial institution acceptable to the Lenders and the Agent. Upon compliance with the provisions of the foregoing sentence, the Borrower shall, notwithstanding anything herein to the contrary, be relieved of all other obligations under this Agreement or the Loan Documents.

#### Section 2.3 Borrowing Notice and Disbursement of Loans.

(a) The Borrower shall give the Collateral Monitoring Agent written notice of each borrowing and conversion of each Loan and of the duration of each Interest Period applicable to each Eurodollar Loan (in each case, a "Borrowing Notice"). Each Borrowing Notice shall be irrevocable and shall be effective on the date of the related borrowing, if received by the Agent not later than 12 noon, New York City time, on the date that is:

(i) In the case of each notice of borrowing of, or conversion into, Prime Rate Loans, on the date of the Borrowing Notice, subject to Section 2.9(c); and

(ii) In the case of each notice of borrowing of, or conversion into, Eurodollar Loans, and in the case of any Eurodollar Loan the Interest Period of which is maturing and is intended to be continued as a Eurodollar Loan, three (3) Eurodollar Business Days prior to the date of the related borrowing or conversion or the first day of such Interest Period.

Each such notice of borrowing or conversion shall specify the amount (subject to

Section 2.1) and type of Loans to be borrowed or converted (and, in the case of a conversion, the type of Loans to result from such conversion), the date of borrowing or conversion (which shall be: (x) a Business Day in the case of each borrowing of Prime Rate Loans, and (y) a Eurodollar Business Day in the case of each borrowing of Eurodollar Loans and each conversion of or into a Eurodollar Loan). Each such notice of the duration of an Interest Period shall specify the Loans to which such Interest Period is to relate. The Collateral Monitoring Agent shall notify the Lenders of the content of each such Borrowing Notice promptly after its receipt thereof.

(b) The Collateral Monitoring Agent shall render to each Lender promptly after the end of each week in the case of Prime Rate Loans, on the date of funding in the case of Eurodollar Loans, or after such shorter period as the Agent may determine (such week, date of funding or shorter period being hereinafter referred to as a "Settlement Period"), a summary statement of the Outstanding Obligations and each Lender's Share thereof for such period. If, as of the end of any Settlement Period, any Lender's Share of Loans is more than such Lender's Share for the previous Settlement Period, then such Lender shall transfer to the Collateral Monitoring Agent good funds for the amount of the increase (A) on the same Business Day that notice is given by the Collateral Monitoring Agent to the Lender if such notice is given prior to 12:00 p.m. and (B) no later than 12:00 p.m. on the following Business Day if notice is given by the Collateral Monitoring Agent to the Lender after 12:00 p.m.; and, on the other hand, if any Lender's Share of Loans as of the end of any Settlement Period is less than such Lender's Share

30

of Loans for the previous Settlement Period, then the Collateral Monitoring Agent shall transfer to such Lender good funds for the amount of the decrease (A) on the same Business Day if the Collateral Monitoring Agent's calculations with respect to such Settlement Period are completed before 12:00 p.m. and (B) on the next Business Day if the Collateral Monitoring Agent's calculations with respect to such Settlement Period are completed after 12:00 p.m. Unless the receiving party gives at least five Business Days prior written notice to the contrary, all funds remitted by the Collateral Monitoring Agent to any Lender hereunder, and all funds remitted by any Lender to the Collateral Monitoring Agent hereunder, shall be sent by wire transfer to such party's respective account as set forth on the signature pages hereof. The Collateral Monitoring Agent agrees to mark its books and records each Settlement Period to show each Lender's Share of the Outstanding Obligations. The failure of any Lender to make a timely payment hereunder shall have no effect on such Lender's liability for such payment, it being understood that each Lender shall assume the risk to the extent of its Lender's Share of each Loan made or L/C, Acceptance, Steamship Guaranty or Airway Release issued as and when made or issued, as the case may be.

#### Section 2.4 Notes.

(a) The Loans made by each Lender shall be evidenced by a single promissory note of the Borrower in substantially the form of Exhibit A payable to such Lender (each, a "Note" and collectively, the "Notes"). Each Note shall be dated the date hereof, shall be payable to the order of each Lender on a date not later than the Commitment Termination Date in a principal amount equal to such Lender's Commitment as originally in effect, and shall otherwise be duly completed. The Notes shall be payable as provided in Section 2.7.

(b) Upon receipt of an affidavit of an officer of the Collateral Monitoring Agent as to the loss, theft, destruction or mutilation of any Note or any other Security Document which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon surrender and cancellation of such Note or other Security Document, the Borrower shall issue, in lieu thereof, a replacement Note or other Security Document in the same principal amount thereof and otherwise of like tenor.

#### Section 2.5 Interest.

(a) The Borrower shall pay to the Collateral Monitoring Agent, for the ratable benefit of the Lenders, interest on the daily balances of the Loans outstanding during the preceding month for the period commencing on the date of each such Loan until such Loan shall be paid in full, at the following rates per annum:

(i) For a Prime Rate Loan, a rate equal to the Prime Rate; and

(ii) For a Eurodollar Loan, a rate equal to the LIBOR Rate plus two and one-quarter percent (2-1/4%) per annum.

(b) Notwithstanding the foregoing, the Borrower shall pay interest on any Loan or any installment thereof, and on any other amount payable by the Borrower hereunder (to

31

the extent permitted by law) that shall not be paid in full when due (whether at stated maturity, by acceleration or otherwise) for the period commencing on the due date thereof until the same is paid in full at the Post-Default Rate.

(c) Except as provided in the next sentence, accrued interest on each Loan shall be payable: (i) not later than monthly on the Monthly Dates and (ii) in the case of any Eurodollar Loan, upon the payment thereof or the conversion thereof into a Prime Rate Loan (but only on the principal so paid or converted). Interest that is payable at the Post-Default Rate shall be payable from time to time on demand of the Collateral Monitoring Agent.

#### Section 2.6 Fees.

(a) The Borrower shall pay to the Agent, for the ratable benefit of the Lenders, a non-refundable advisory fee (the "Advisory Fee") in the amount of \$217,000 (subject to adjustment pursuant to this subsection (a)) payable as follows:

(i) \$70,000 payable on the Closing Date;

(ii) \$72,000 payable on February 1, 2003; and

(iii) \$75,000 payable on February 1, 2004;

provided, however, that in the event that the Borrower shall repay all Outstanding Obligations and terminate the Commitment at any time after the Closing Date but prior to February 1, 2004, the Borrower shall pay the fees provided for in this Section 2.6(a), to the extent such fees shall not have been previously paid by the Borrower, on the date of such repayment and termination.

(b) The Borrower shall pay to the Agent, for the account of each Lender, an unused commitment fee (the "Unused Commitment Fee") on the daily average amount of such Lender's Unused Commitment, for the period from the date hereof to and including the Commitment Termination Date at a rate equal to one-quarter of one (1/4%) percent per annum on the portion of the Unused Commitment of such Lender; provided the amount of the Unused Commitment Fee shall not exceed \$87,500 during the term of this Agreement. The accrued Unused Commitment Fee shall be calculated every third Monthly Date commencing on July 31, 2002 and such amount shall be payable quarterly in arrears on every third Monthly Date commencing on August 31, 2002 and on the Commitment Termination Date.

(c) Upon each drawing under an L/C, the Borrower shall pay to the Issuing Bank, for the ratable benefit of the Lenders, a drawing fee (the "Drawing Fee") computed at the rate of one eighth of one percent (1/8%) per annum of the face amount of such drawing, but in no event shall the Drawing Fee be less than \$70.00.

(d) Upon the execution and delivery by the Borrower of an Application for a Standby L/C, the Borrower shall pay to the Issuing Bank, for the ratable benefit of the Lenders, an issuance fee (the "Standby L/C Fee") computed at the rate of one and one-half

32

percent (1-1/2%) per annum on the face amount of the requested Standby L/C payable quarterly in advance on the applicable Monthly Dates.

(e) Upon the execution and delivery by the Borrower of an Application for any L/C, Steamship Guarantee or Airway Release (or upon any modification, amendment, cancellation or extension thereof), the Borrower shall pay directly to the Issuing Bank for its own account, all issuance, processing and associated transactional charges (the "Transactional Fees") imposed by the Issuing Bank in

connection with any L/C, Steamship Guarantee or Airway Release.

(f) Upon the execution and delivery of an Acceptance, the Borrower shall pay to the Issuing Bank, for the ratable benefit of the Lenders, a fee (the "Acceptance Fee") for such Acceptance equal to the discount rate of the Agent plus two and one-half percent (2-1/2%) per annum of the principal amount of such Acceptance for the term thereof payable monthly in advance on the applicable Monthly Dates.

(g) The Borrower shall pay to the Collateral Monitoring Agent for its own account a fee of \$60,000 per annum, a pro rata portion of which shall be payable monthly in advance on the first Business Day of each calendar month (with the first such payment to be made on June 1, 2002) (the "Collateral Fees").

(h) The Borrower shall pay to the Lenders within ten days following demand therefor, reimbursement for the fees and expenses of the Collateral Monitoring Agent's and any Lender's field examiners which accompany the Collateral Monitoring Agent on inspections and field examinations (pursuant to Section 6.2 or 9.10(b) or otherwise), such fees and expenses to be calculated at such Lender's standard per diem rates (the "Examination Fees").

(i) The Borrower shall pay to the Agent for its sole account an administrative fee (the "Administrative Fee") in accordance with the terms of a separate agreement between the Agent and the Borrower.

(j) The Advisory Fee, the Unused Commitment Fee, the Drawing Fee, the Standby L/C Fee, the Transactional Fees, the Acceptance Fee, the Collateral Fees, the Examination Fees, the Administrative Fee and the Early Termination Fee are hereinafter sometimes referred to individually as a "Fee" and collectively as the "Fees".

#### Section 2.7 Payment of Loans and Acceptances; Voluntary Changes in Commitment; Mandatory Prepayments.

(a) All outstanding Loans and Acceptances shall be paid in full not later than the Commitment Termination Date.

(b) Subject to the payment of the fee, if any, required to be paid pursuant to the proviso to Section 2.6(a), the Borrower shall be entitled to terminate or reduce either or both of the Commitment and the Direct Debt Sublimit; provided that the Borrower shall give one (1) Business Day's prior written notice of such termination or reduction to the Lenders and that any

33

partial reduction of the Commitment or the Direct Debt Sublimit shall be in an aggregate amount equal to \$100,000 or an integral multiple thereof. Any such termination or reduction shall be permanent and irrevocable. Each partial reduction of either the Commitment or the Direct Debt Sublimit shall be applied pro rata to reduce each Lender's Share of the Commitment and the Direct Debt Sublimit.

(c) Notwithstanding any other provisions hereof, in the event that on any day the Obligations shall exceed the lesser of (i) the Commitment as of such date and (ii) Borrowing Base (including but not limited to the circumstances in which the Collateral Monitoring Agent has exercised its discretion to continue to make Loans and to instruct the Issuing Bank that Availability exists for the issuance of L/Cs, Acceptances, Steamship Guaranties and Airway Releases, as provided in the definition of "Overadvance" in Article 1) as of such date, the Borrower (i) shall immediately upon the Collateral Monitoring Agent's request repay the Loans and/or prepay Acceptances in an amount sufficient to reduce the sum of the aggregate principal amount of the Obligations to an amount not greater than the lesser of (x) the Commitment as of such date and (y) the Borrowing Base as of such date and (ii) shall not be permitted to request the Collateral Monitoring Agent to make any Loans or make application to the Issuing Bank to issue Trade L/Cs, Standby L/Cs, Steamship Guaranties or Airway Releases until such payment or repayment is made.

(d) Within one Business Day of the receipt thereof by the Parent or any Subsidiary (including the Borrower), the Borrower shall repay the Loans and/or prepay Advances in an amount equal to 20% of the proceeds (net of underwriting discounts and commissions and other reasonable costs associated therewith) of any sale or issuance of any Capital Stock of the Parent or any Subsidiary

(including the Borrower) (other than any sale or issuance of Capital Stock described in clauses (a), (b) or (c) of Section 7.6) and 20% of any amount of cash received by the Parent or any Subsidiary (including the Borrower) in connection with any capital contributions and the Commitment shall be reduced in the amount of such net proceeds or cash.

(e) Within one Business Day of the receipt thereof by the Parent or any Subsidiary (including the Borrower), the Borrower shall repay the Loans and/or prepay Acceptances in an amount equal to 25% of the proceeds (net of underwriting discounts and commissions and other reasonable costs associated therewith) of the incurrence of any Indebtedness (other than Indebtedness permitted by Sections 7.1(a) through 7.1(f)) by the Parent or any Subsidiary (including the Borrower) and the Commitment shall be reduced in the amount of such net proceeds.

#### Section 2.8 Use of Proceeds of Loans.

The proceeds of the Loans hereunder may be used by the Borrower solely for the following:

(a) first to repay in full all indebtedness of the Borrower under the Original Loan Agreement, in an aggregate principal amount of \$2,242,308.19;

34

(b) second to pay all fees and expenses of the Agent and the Lenders associated with the preparation, execution and delivery hereof; and

(c) third to provide working capital for the Borrower.

#### Section 2.9 Computations.

(a) Interest on all Loans and each Fee shall be computed on the basis of a year of 360 days and actual days elapsed (including the first day but excluding the last) occurring in the period for which payable.

(b) (i) For the purpose of computing interest and calculating Availability hereunder, all payments consisting of cash or wire transfers in immediately available funds shall be deemed received by the Collateral Monitoring Agent: (A) on the same Business Day that such payments are deposited in the Collection Account in the event such deposit is made on or prior to 1:00 p.m.; and (B) one Business Day following deposit thereof in the Collection Account in the event such deposit is made after 1:00 p.m.; provided, however, that the foregoing references to 1:00 p.m. shall be deemed to be 12:00 p.m. if the date of such deposit is the last Business Day of the calendar month or the Business Day before a holiday;

(ii) For the purpose of calculating Availability hereunder, all checks, drafts, or similar non-cash items of payment by or for the account of the Borrower shall be deemed received by the Collateral Monitoring Agent (A) on the same Business Day that the deposit of such payment is made in the Collection Account in the event such deposit is made prior to 1:00 p.m.; and (B) one Business Day following deposit thereof in the Collection Account in the event such deposit is made after 1:00 p.m.; and

(iii) For the purpose of computing interest and Fees, all checks, drafts, or similar non-cash items of payment by or for the account of the Borrower shall be deemed received by the Collateral Monitoring Agent two (2) Business Days after deposit of such payment in the Collection Account;

provided, however, that, for purposes other than computing interest and Fees and calculating Availability, no check, drafts, or other instruments received by the Collateral Monitoring Agent shall constitute payment to the Collateral Monitoring Agent unless and until such item of payment has actually been collected by the Collateral Monitoring Agent and such collection has been credited to the Collection Account.

(c) On the basis of the daily Borrowing Base Certificate delivered by the Borrower to the Collateral Monitoring Agent pursuant to Section 5.10(a), the Collateral Monitoring Agent will determine on a daily basis the Availability and the Borrower's compliance with the terms hereof, including but not limited to the provisions of Section 2.7.

35

Section 2.10 Time and Method of Payments; Statement of Account.

(a) All payments of principal, interest, Fees and other amounts (including indemnities) payable by the Borrower hereunder shall be made in Dollars, in immediately available funds, to the Collateral Monitoring Agent at its Payment Office not later than 12 noon, New York City time, on the date on which such payment shall become due. With respect to all such payments, the Collateral Monitoring Agent shall (i) advance funds in payment and treat such advance of funds as a Loan or (ii) in the event that there is not sufficient Availability, debit the amount of any such payment to any ordinary deposit account of the Borrower with the Collateral Monitoring Agent. In the event that there is neither sufficient Availability or amounts in the deposit accounts of the Borrower with the Collateral Monitoring Agent, the Borrower shall make the payment directly at the Collateral Monitoring Agent's Payment Office as provided above. Additional provisions relating to payments are set forth in Section 10.3. Each payment received by the Agent hereunder for the account of a Lender shall be paid promptly to such Lender, in like funds, for the account of such Lender's Applicable Lending Office for the Loan in respect of which such payment is made. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 10.13(d), from and after the effective date of such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments.

(b) The Collateral Monitoring Agent shall provide the Borrower with a statement of account on a monthly basis, and each statement of account that is delivered by the Collateral Monitoring Agent to the Borrower that relates to the Obligations shall be deemed correct in the absence of manifest error and shall constitute an account stated between the Borrower and the Collateral Monitoring Agent unless thereafter waived in writing by the Collateral Monitoring Agent or unless, within 30 days after the Borrower's receipt of such statement, the Borrower delivers to the Collateral Monitoring Agent, by registered or certified mail, written objection thereto specifying the error or errors, if any, contained in any such statement; provided, however, that any failure by the Collateral Monitoring Agent to provide the Borrower with a statement of account shall not affect the Obligations of the Borrower hereunder or under any Note.

Section 2.11 Several Obligations.

No Lender shall be responsible for the failure of the other Lenders to make Loans to be made by such other Lenders.

Section 2.12 Guaranties.

The Guarantors have heretofore executed and delivered one or more guaranties (collectively, as amended, restated, modified, supplemented and confirmed from time to time, the "Original Guaranties") guaranteeing, without limitation, the due payment and performance of the indebtedness, liabilities and obligations of the Borrower and the other Guarantors under the Original Loan Agreement and the instruments, documents and agreement executed and

36

delivered in connection therewith. Each of the Guarantors shall, as a condition to the effectiveness of this Agreement, execute and deliver to the Agent for the benefit of the Lenders, the Collateral Monitoring Agent and the Issuing Bank, the Guarantee Agreement, which shall amend and restate the Original Guaranties.

Section 2.13 Security.

(a) The Borrower has heretofore granted to the Agent, for the ratable benefit of the Lenders, the Collateral Monitoring Agent and the Issuing Bank, a Lien on all of the Borrower's personal property pursuant to one or more security agreements, pledge agreements and assignments (collectively, as amended, restated, modified, supplemented and confirmed from time to time, the "Original Borrower Security Documents"). The Borrower shall, as a condition to the effectiveness of this Agreement, execute and deliver to the Agent for the benefit of the Lenders, the Collateral Monitoring Agent and the Issuing Bank, the Security Agreement, which shall amend and restate the Original Borrower Security Documents.

(b) The Corporate Guarantors have heretofore granted to the Agent, for the ratable benefit of the Lenders, the Collateral Monitoring Agent and the Issuing Bank, a Lien on all of the Corporate Guarantors' respective personal property pursuant to one or more security agreements, pledge agreements and assignments (collectively, as amended, restated, modified, supplemented and confirmed from time to time, the "Original Guarantor Security Documents"). The Corporate Guarantors shall, as a condition to the effectiveness of this Agreement, execute and deliver to the Agent for the benefit of the Lenders, the Collateral Monitoring Agent and the Issuing Bank, the Security Agreement, which shall amend and restate the Original Guarantor Security Documents.

#### Section 2.14 Lending Offices.

The Loans of each type made by each Lender shall be made at such Lender's Applicable Lending Office for Loans of such type.

#### Section 2.15 Obligations Absolute.

The obligations of the Borrower under this Agreement and the Loan Documents shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms hereof, under all circumstances whatsoever, including, without limitation, the following circumstances:

(i) the L/Cs, the Notes, the Loan Agreement, the other Loan Documents or any other agreements, instruments or documents relating thereto proving to be forged, fraudulent, invalid, unenforceable or insufficient in any respect;

(ii) any amendment or waiver of or any consent to the departure from all or any of the Security Documents;

37

(iii) the existence of any claim, setoff, defense or other rights which the Borrower may have at any time against any beneficiary or any transferee of any beneficiary (or any Persons or entities for whom any beneficiary or any such transferee may be acting), any Lender or any other Person, whether in connection with this Agreement, the L/Cs, the Security Documents, the other Loan Documents or any unrelated transaction;

(iv) any demand presented under the L/Cs (or any endorsement thereon) proving to be forged, fraudulent, invalid, unenforceable or insufficient in any respect or any statement therein being inaccurate in any respect whatsoever;

(v) payment by the Issuing Bank under any L/C against preparation of a demand which does not comply with the terms of such L/C, including, without limitation, the circumstances referred to in clause (iv) above or the failure of any document to bear adequate reference to such L/C;

(vi) the use to which the L/Cs may be put or any acts or omissions of the Borrower or beneficiaries in connection therewith; and

(vii) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing, provided that such circumstances or happening shall not have constituted gross negligence or willful misconduct of the Agent or any Lender.

#### Section 2.16 Sharing of Payments and Set-Off Among Lenders.

(a) The Borrower hereby agrees that, in addition to (and without limitation of) any right of set-off, banker's lien or counterclaim a Lender may otherwise have, each Lender shall be entitled, at its option, to offset balances held by it at any of its offices against any principal of or interest on any of the Obligations hereunder, or any Fee payable under this Agreement, that is not paid when due (regardless of whether such balances are then due to the Borrower), in which case it shall promptly notify the Borrower thereof, provided that its failure to give such notice shall not affect the validity thereof. Nothing contained herein shall require any Lender to exercise any such right or shall affect the right of any Lender to exercise and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrower.

(b) Each Lender:

(i) if it shall effect payment of any principal of or interest on any Obligations held by it under this Agreement through the exercise of any rights provided for in subsection (a) above, or

(ii) upon or following any acceleration by the Agent and the Lenders of the Obligations,

38

shall promptly purchase from the other Lenders a participation in the Obligations held by the other Lenders in such amounts, and make such other adjustments from time to time as shall be equitable, so that all the Lenders shall share the benefit of such payment and the Obligations pro rata in accordance with their respective Commitments. To such end all the Lenders shall make appropriate adjustments among themselves (by the resale of a participation sold or otherwise) if any payment received must be restored or any acceleration is rescinded by the Majority Lenders. The Borrower agrees that any Lender so purchasing a participation in the Obligations held by the other Lenders may exercise all rights of set-off, banker's lien, counterclaim or similar rights with respect to such participation as fully as if such Lender were a direct holder of Obligations in the amount of such participation. The failure of any Lender to purchase participations as provided hereunder shall not affect the validity of the set-off as between such Lender and the Borrower.

#### Section 2.17 Additional Costs; Capital Requirements.

(a) (i) The Borrower shall pay directly to each Lender from time to time such amounts as such Lender may determine to be necessary to compensate it for any increase in costs incurred by such Lender which such Lender determines are attributable to its making or maintaining any Eurodollar Loans or its Commitment hereunder or in respect of L/Cs or any reduction in any amount receivable by such Lender hereunder in respect of any of such Loans, Commitment or L/Cs (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), resulting from any Regulatory Change which: (i) changes the basis of taxation of any amounts payable to such Lender under this Agreement or its Note in respect of any of such Loans or in respect of L/Cs (other than taxes imposed on the overall net income of such Lender or its Applicable Lending Office for any of such Loans by the jurisdiction in which such Lender has its principal office or such Applicable Lending Office); or (ii) imposes or modifies any reserve, special deposit or similar requirements relating to or any deposits with or other liabilities of, such Lender (including any deposits referred to in the definition of "LIBOR Base Rate" in Article 1 hereof or in respect of L/Cs); or (iii) imposes any other conditions affecting this Agreement in respect of the Eurodollar Loans or L/Cs. Each Lender will notify the Borrower and the Agent of any event occurring after the date of this Agreement which will entitle such Lender to compensation pursuant to this Section 2.17(a) as promptly as practicable after it obtains knowledge thereof and determines to request such compensation. Each Lender will furnish the Borrower and the Agent with a certificate setting forth the basis and amount of each request for such Lender for compensation from the Borrower under this Section 2.17(a). The Borrower may, by notice to such Lender (with a copy to the Agent), require that such Lender's Loans of the type with respect to which such compensation is requested be converted into Prime Rate Loans or Eurodollar Loans, as the case may be, in accordance with Sections 2.23 and 2.27.

(ii) Without limiting the effect of the foregoing provisions of this Section 2.17, in the event that, by reason of any Regulatory Change, any Lender either (i) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Lender which includes deposits by reference to which the interest rate on Eurodollar Loans is determined as provided in this Agreement or a category of extensions of credit or other assets of such Lender which includes Eurodollar Loans

39

or (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets which it may hold, then, if such Lender so elects by notice to the Borrower (with a copy to the Agent), the obligation of such Lender to make, and to convert Loans of any other type into, Loans of such type hereunder shall be suspended until the date such Regulatory Change ceases to be in effect (and all Loans of such type of such Lender then outstanding shall be



converted into Prime Rate Loans or Eurodollar Loans, as the case may be, in accordance with Sections 2.23 and 2.27).

(b) If any existing or future law or regulation or the interpretation thereof by any court or administrative or governmental authority charged with the administration thereof, or compliance by any Lender with any request or directive (whether or not having the force of law) of any such authority, either imposes, modifies, deems applicable or results in the application of, any capital maintenance, capital ratio or similar requirement against loan commitments made by any Lender and the result thereof is to impose upon such Lender or increase any capital requirement applicable as a result of the making or maintenance of such Lender's Commitment (which imposition of or increase in capital requirements may be determined by the Lender's reasonable allocation of the aggregate of such capital impositions or increases) then, upon demand by such Lender (a copy of which demand shall be delivered to the Agent), the Borrower shall immediately pay to the Lender from time to time specified by the Lender, such additional fees as shall be sufficient to compensate the Lender for such imposition of or increase in capital requirements. Such Lender will furnish the Borrower and the Agent with a certificate setting forth the basis and amount of each request by such Lender for compensation from the Borrower under this Section 2.17. The Borrower may, by notice to such Lender (with a copy to the Agent), require that such Lender's Loans of the type with respect to which such compensation is requested be converted into Prime Rate Loans or Eurodollar Loans, as the case may be, in accordance with Sections 2.23 and 2.27.

(c) Determinations by any Lender for purposes of this Section 2.17 of the effect of any Regulatory Change on its costs of making or maintaining Loans or L/Cs or on amounts receivable by it in respect of Loans or L/Cs, and of the additional amounts required to compensate such Lender in respect of any Additional Costs, shall be set forth in writing in reasonable detail and shall be conclusive, absent manifest error.

#### Section 2.18 Additional L/C Provisions.

(a) Without limiting the generality of Section 2.17, if:

(i) any change in any law or regulation or in the interpretation thereof by any court or administrative or governmental authority charged or claiming to be charged with the administration thereof shall (1) impose, modify or deem applicable any reserve, special deposit, capital maintenance, deposit insurance premium or assessment, or similar requirement against letters of credit issued by or assets held by, or deposits with or for the account of, any Lender, (2) impose on any Lender any other condition regarding this Agreement or the L/Cs, or (3) subject any Lender to any tax, charge, fee,

40

deduction or withholding of any kind whatsoever other than changes in the rate of tax on the over-all net income of such Lender; and

(ii) the result of any such event shall be to increase the cost to any Lender of the issuance or maintenance of the L/Cs, or reduce the amount of principal, interest, or any fee or compensation receivable by any Lender in respect of the L/Cs or this Agreement;

then, upon demand of any Lender, the Borrower shall pay to the Lenders, from time to time as specified by each of the Lenders, respectively, all additional amounts which are necessary to compensate such Lender for such increased cost or reduction incurred by that Lender. All payments of compensation for such increased cost or reduction shall be accompanied by interest thereon from the date such increased cost or reduction is incurred by any Lender until payment in full thereof at the rate provided in Section 2.5(a) and, in the event of non-payment by the Borrower following demand, thereafter at the Post-Default Rate. A certificate as to such increased cost incurred by any Lender showing the manner of calculation thereof shall be submitted by such Lender to the Borrower and shall be conclusive (absent manifest error) as to the amount thereof. In the event of any inconsistency between the terms of this Section 2.18 and Section 2.17, the provisions of Section 2.17 shall govern.

(b) No Lender shall be responsible: (i) for the validity or insufficiency of any instrument transferring or assigning or purporting to transfer or assign the L/Cs or the rights or benefits thereunder or proceeds thereof in whole or in part, which may prove to be invalid or ineffective for

any reason; (ii) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable telegraph, telex or otherwise, whether or not they be in cipher; (iii) for any loss or delay in the transmission or otherwise of any document or draft required in order to make a draw under the L/Cs or of proceeds thereof; or (iv) for any consequence arising from causes beyond the control of any Lender. None of the above shall affect, impair, or prevent the vesting of any Lender's rights or powers hereunder.

(c) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by any Lender, under or in connection with the L/Cs or the related drafts or document(s), if taken or omitted in good faith, shall be binding upon the Borrower and shall not put any Lender under any resulting liability to the Borrower.

(d) The Borrower shall at all times protect, indemnify and save harmless each Lender from and against any and all claims, actions, suits and other legal proceedings, and from and against any and all loss, claims, demands, liabilities, damages, costs, charges, counsel fees and other expenses which any Lender may, at any time, sustain or incur by reason of or in consequence of or arising out of the issuance of the L/Cs; it being the intention of the parties that this Agreement shall be construed and applied to protect and indemnify any Lender against any and all risk involved in the issuance of the L/Cs, all of which risks are hereby assumed by the Borrower, including, without limitation, any and all risks of the acts or omissions, whether rightful or wrongful, of any present or future de jure or de facto government or governmental

41

authority (all such acts and omissions, herein called the "Governmental Acts"); provided, however, that the Borrower shall not be required to indemnify any Lender for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of any Lender in not honoring any demand for payment under any L/C (after the presentation to it by the beneficiary of drawing documents strictly complying with the terms and conditions of such L/C) except if as a result of any Governmental Act or any other cause beyond the control of any Lender. Notwithstanding any other provision contained in this Agreement, the obligations of the Borrower under this Section 2.18 shall survive the termination hereof.

#### Section 2.19 Pro Rata Treatment Among Lenders.

(a) Except as otherwise provided herein: (i) each Loan advanced by the Collateral Monitoring Agent hereunder, each other advance made by the Collateral Monitoring Agent, the Issuing Bank or the Agent hereunder (including but not limited to advances to protect or preserve Collateral), and each payment of any Fee (other than Transactional Fees, Collateral Fees, the Administrative Fee and Examination Fees) by the Borrower shall be made by or to the Collateral Monitoring Agent, the Issuing Bank or the Agent, as the case may be, for the account of the Lenders according to the respective Lender's Share, (ii) each conversion of Loans of a particular type under Section 2.23 (other than conversions provided for by Section 2.25) will be made pro rata among the Lenders holding Loans of such type according to the respective principal amounts of such Loans held by such Lenders, and (iii) each payment of principal or interest on Loans in each case will be made by or to the Collateral Monitoring Agent, the Issuing Bank or the Agent, as the case may be, for the account of the Lenders.

(b) On a monthly basis, after the Collateral Monitoring Agent's receipt of monthly interest charges pursuant to Section 2.10, and provided a Lender shall have made all payments to the Collateral Monitoring Agent required to be made hereunder, the Collateral Monitoring Agent shall pay to such Lender an amount equivalent to such Lender's Share of such interest and any Fees received during the prior month.

#### Section 2.20 Non-Receipt of Funds by the Agent.

Unless the Collateral Monitoring Agent shall have been notified by a Lender or the Borrower (the "Payor") prior to the date notified on which such Lender is to make payment to the Collateral Monitoring Agent of the proceeds of a Loan to be made by it hereunder or the Borrower is to make a payment to the Collateral Monitoring Agent for the account of one or more of the Lenders, as the case may be (such payment being herein called the "Required Payment"), which notice shall be effective upon receipt, that the Payor does not intend to make the Required Payment to the Collateral Monitoring Agent, the Collateral

Monitoring Agent may assume that the Required Payment has been made and may, in reliance upon such assumption (but shall not be required to), make the amount thereof available to the intended recipient on such date and, if the Payor has not in fact made the Required Payment to the Collateral Monitoring Agent, the recipient of such payment shall, on demand, repay to the Collateral Monitoring Agent the amount made available to it together with interest thereon in respect of

42

each day during the period commencing on the date such amount was so made available by the Collateral Monitoring Agent until the date the Collateral Monitoring Agent recovers such amount at a rate per annum equal to the Federal Funds Rate for such day (when the recipient is a Lender) or equal to the rate of interest applicable to such Loan (when the recipient is the Borrower).

Section 2.21 Collections; Agent's Right to Notify Account Debtors and Endorse the Borrower's Name.

(a) The Borrower and all other Loan Parties will immediately upon receipt of all checks, drafts, cash or other remittances (i) in payment of any of its accounts, contract rights or general intangibles constituting part of the Collateral, or (ii) in payment of any Collateral sold, transferred, leased or otherwise disposed of, as permitted under Section 7.7, or (iii) in payment of, or on account of its Accounts, contracts, contract rights, notes, drafts, acceptances, general intangibles, choses in action and all other forms of obligations relating to any of the Collateral so sold, transferred, or leased or otherwise disposed of, deliver any such items to the Collateral Monitoring Agent at the Payment Office or to the Collection Account accompanied by a remittance report in form supplied or approved by the Collateral Monitoring Agent, such items to be delivered to the Collateral Monitoring Agent in the same form received, endorsed or otherwise assigned by the Borrower where necessary to permit collection of such items and, regardless of the form of such endorsement, the Borrower hereby waives presentment, demand, notice of dishonor, protest, notice of protest and all other notices with respect thereto.

(b) The Borrower and all other Loan Parties shall direct all Account Debtors to make all payments due from them to the Borrower upon the Accounts directly to the Collateral Monitoring Agent, the Collection Account or to a Lockbox (each, a "Lockbox") designated by the Collateral Monitoring Agent and maintained by the Collateral Monitoring Agent pursuant to one or more lockbox agreements in form and substance satisfactory to the Agent (each, a "Lockbox Agreement"), which agreements shall be executed and delivered by the Borrower at the request of the Collateral Monitoring Agent.

(c) In the event that, notwithstanding the provisions of Sections 2.21(a) and 2.21(b), as applicable, the Borrower (or any of its affiliates, officers, employees, agent, or those Persons acting for or in concert with the Borrower) shall receive any monies, checks, notes, drafts, or any other payment relating to any Collateral or as proceeds of any Collateral, the Borrower shall receive such monies, checks, notes, drafts and other payments as agent for the Collateral Monitoring Agent and shall hold, or shall cause such Affiliate or Person to hold, all such items of payment in trust as trustee of an express trust for the Collateral Monitoring Agent and as property of the Collateral Monitoring Agent, separate and apart from the funds of the Borrower and such Affiliate and the Borrower (and all of its Affiliates, officers, employees, agents and other Persons acting for or in concert with the Borrower) shall: (i) on the first Business Day following receipt thereof, deposit such items of payment, or cause such items of payment to be deposited, in kind, in the Collection Account; and (ii) in addition to all reports required in Article 5, if, as, and when requested by the Collateral Monitoring Agent, forward to the Collateral Monitoring Agent, on a daily basis, copies of all items of payment and of all

43

deposit slips related thereto, together with a collection report in form and substance satisfactory to the Collateral Monitoring Agent.

(d) The Borrower hereby authorizes the Collateral Monitoring Agent at all times: (i) to open the Borrower's mail directed to the Lockbox and, following an Event of Default, all other mail; (ii) to collect, and to verify by mail, telephone, telegraph or otherwise, any and all amounts due to the Borrower

from Account Debtors; and (iii) to notify any or all Account Debtors that the Accounts have been assigned to the Agent and that the Collateral Monitoring Agent has a security interest therein. The Borrower hereby agrees that any such notice, in the Collateral Monitoring Agent's sole discretion, may be sent on the Borrower's stationery, in which event, if required by the Collateral Monitoring Agent (and all Persons designated by the Collateral Monitoring Agent for that purpose) as the Borrower's true and lawful attorney (and agent-in-fact) to endorse the Borrower's name on any checks, notes, drafts, or any other form of payment relating to Collateral or proceeds of Collateral that come in to the Collateral Monitoring Agent's possession or under the Collateral Monitoring Agent's control.

(e) Notwithstanding Section 2.21(d) or any other provision hereof, nothing contained in this Section 2.21, this Agreement or any other Loan Document shall be deemed to limit or otherwise restrict the Collateral Monitoring Agent's normal verification procedures.

#### Section 2.22 Application of Payments and Collections.

(a) All amounts received by the Collateral Monitoring Agent for the account of the Borrower pursuant to Section 2.21 or otherwise shall, on each Business Day, be

(i) applied to Fees which are at such time due and unpaid; then

(ii) applied to amounts payable pursuant to Section 2.26; then

(iii) applied pro rata among the Lenders to reduce the amount of any outstanding Loans; then

(iv) applied to prepay, in the case of liquidation only, with any applicable prepayment or "breakage" fee, all Acceptances;

(v) held by the Collateral Monitoring Agent as collateral to secure any outstanding L/Cs, Acceptances (other than in the case of a liquidation), Steamship Guaranties and Airway Releases; then

(vi) only if all Loans have been repaid, all Acceptances prepaid (in the case of a liquidation) and all L/Cs, Acceptances (other than in the case of a liquidation), Steamship Guaranties and Airway Releases are fully secured by amounts held by the Collateral Monitoring Agent pursuant to clause (iii) above, credited to the Borrower's demand deposit account maintained with the Agent.

44

(b) Notwithstanding anything else in this Section 2.22 or in this Agreement to the contrary, the Borrower irrevocably waives the right to direct the application of any and all payments and collections at any time or times hereafter received by the Collateral Monitoring Agent from or on behalf of the Borrower. The Borrower irrevocably agrees that the Collateral Monitoring Agent shall have the continuing exclusive right to apply and reapply any and all such payments and collections received at any time or times hereafter by the Collateral Monitoring Agent or its agents against the Obligations in such manner as the Collateral Monitoring Agent may deem advisable, notwithstanding any entry by the Collateral Monitoring Agent upon any of its books and records.

(c) Except as set forth in Sections 2.17 and 2.24, all payments and repayments made shall be applied first to the Prime Rate Loans, and shall be applied to Eurodollar Loans only to the extent any such payment exceeds the principal amount of Prime Rate Loans outstanding at the time of such payment.

#### Section 2.23 Conversions of Loans.

The Borrower shall have the right to convert Loans of one type into Loans of another type from time to time, provided that: (i) the Borrower shall give the Collateral Monitoring Agent notice of each such conversion as provided in Section 2.3; (ii) Eurodollar Loans may be converted only on the last day of an Interest Period for such Loans; and (iii) except as required by Section 2.17, no Prime Rate Loan may be converted into a Eurodollar Loan if on the proposed date of conversion a Default or an Event of Default exists. The Collateral Monitoring Agent shall use its best efforts to notify the Borrower of the effectiveness of such conversion, and the new interest rate to which the converted Loans are subject, as soon as practicable after the conversion; provided, however, that

any failure to give such notice shall not affect the Borrower's obligations, or the Collateral Monitoring Agent's or the Lenders' rights and remedies, hereunder in any way whatsoever.

#### Section 2.24 Limitation on Types of Loans.

Anything herein to the contrary notwithstanding, if, on or prior to the determination of an interest rate for any Eurodollar Loans for any Interest Period therefor, the Majority Lenders determine (which determination shall be conclusive) that:

(a) by reason of any event affecting the money markets in the United States of America or the Eurodollar interbank market, quotations of interest rates for the relevant deposits are not being provided in the relevant amounts or for the relevant maturities for purposes of determining the rate of interest for such Loans under this Agreement; or

(b) the rates of interest referred to in the definition of "LIBOR Base Rate" in Article 1 upon the basis of which the rate of interest on any Eurodollar Loans for such period is determined, do not accurately reflect the cost to the Lenders of making or maintaining such Loans for such period,

45

then the Collateral Monitoring Agent shall give the Borrower and each Lender prompt notice thereof (and shall thereafter give the Borrower and each Lender prompt notice of the cessation, if any, of such condition), and so long as such condition remains in effect, the Lenders shall be under no obligation to make Loans of such type or to convert Prime Rate Loans into Eurodollar Loans and the Borrower shall, on the last day(s) of the then current Interest Period(s) for the outstanding Eurodollar Loans either prepay such Loans in accordance with Section 2.7 or convert such Eurodollar Loans into Prime Rate Loans in accordance with Section 2.21. If at any time after the Collateral Monitoring Agent gives notice under this Section 2.24 the Majority Lenders determines that such condition no longer exists, they shall give prompt notice of that determination, in writing, to the Borrower. At such time as such condition no longer exists (whether or not such notice has been given), the Borrower's right to request, and the Lender's obligations, if any, to make Eurodollar Loans (and to convert Prime Rate Loans into Eurodollar Loans) shall be restored.

#### Section 2.25 Illegality.

Notwithstanding any other provision in this Agreement, in the event that it becomes unlawful for any Lender or its Applicable Lending Office to: (i) honor its obligation to make Eurodollar Loans hereunder, or (ii) maintain Eurodollar Loans hereunder, then such Lender shall promptly notify the Borrower thereof in writing (with a copy to the Collateral Monitoring Agent), describing such illegality in reasonable detail (and shall thereafter promptly notify the Borrower and the Collateral Monitoring Agent of the cessation, if any, of such illegality), and thereupon such Lender's obligation to make Eurodollar Loans and to convert other types of Loans into Eurodollar Loans hereunder shall be suspended until such time as the Lenders may again make and maintain Eurodollar Loans and the Lenders outstanding Eurodollar Loans shall be converted into Prime Rate Loans in accordance with Sections 2.23 and 2.27. If at any time after such Lender gives notice under this Section 2.25 such Lender determines that it may again make and maintain Eurodollar Loans, such Lender shall promptly give notice of that determination, in writing, to the Borrower and the Agent, and the Agent shall promptly transmit the notice to each other Lender. At such time as such Lender may again make and maintain Eurodollar Loans (whether or not such notice has been given), the Borrower's right to request, and the Lender's obligations, if any, to make and to convert such Loans shall be restored.

#### Section 2.26 Indemnification.

The Borrower shall pay to the Collateral Monitoring Agent for the account of each Lender, upon the request of such Lender through the Collateral Monitoring Agent, such amount or amounts as shall compensate such Lender for any loss (including loss of profit), cost or expense incurred by such Lender (as reasonably determined by such Lender) as a result of:

(a) any payment or prepayment or conversion of a Eurodollar Loan held by such Lender on a date other than the last day of an Interest Period for such Eurodollar Loan; or

(b) any failure by the Borrower to borrow a Eurodollar Loan held by such Lender on the date for such borrowing specified in the relevant Borrowing Notice under Section 2.3;

46

such compensation to include, without limitation, an amount equal to the excess, if any, of (i) the amount of interest which would have accrued on the amount so paid, prepaid or converted or not borrowed for the period from the date of such payment, prepayment or conversion or failure to borrow, convert or prepay to the last day of the then current Interest Period for such Eurodollar Loan (or, in the case of a failure to borrow, the Interest Period for such Eurodollar Loan which would have commenced on the date of such failure to borrow) at the applicable rate of interest for such Eurodollar Loan provided for herein over (ii) the amount of interest (as reasonably determined by such Lender) such Lender would have bid in the London interbank market for Dollar deposits of amounts comparable to such principal amount and maturities comparable to such period.

#### Section 2.27 Certain Conversions Pursuant to Section 2.17.

If the Loans of any Lender of a particular type (Loans of such type being herein called "Affected Loans" and such type being herein called the "Affected Type") are to be converted pursuant to Section 2.17, such Lender's Affected Loans shall be converted into Prime Rate Loans or Eurodollar Loans of another type (the "New Type Loans") on the last day(s) of the then current Interest Period(s) for the Affected Loans (or, in the case of a conversion required by Section 2.17(b) on such earlier date as such Lender may specify to the Borrower with a copy to the Agent) and, until such Lender gives notice as provided below that the circumstances specified in Section 2.17 which gave rise to such conversion no longer exist:

(a) to the extent that such Lender's Affected Loans have been so converted, all payments and prepayments of principal which would otherwise be applied to such Affected Loans shall be applied instead to its New Type Loans;

(b) all Loans which would otherwise be made by such Lender as Loans of the Affected Type shall be made instead as New Type Loans and all Loans of such Lender which would otherwise be converted into Loans of the Affected Type shall be converted instead into (or shall remain as) New Type Loans; and

(c) if Loans of the Affected Type are subsequently converted into Loans of another type (other than New Type Loans), such Lender's New Type Loans shall be automatically converted on the conversion date into Loans of such other type to the extent necessary so that, after giving effect thereto, all Loans held by such Lender and the Lenders whose Loans are so converted are held pro rata (as to principal amounts, types and, to the extent applicable, Interest Periods) in accordance with their respective Commitments.

#### ARTICLE 3. REPRESENTATIONS AND WARRANTIES.

Each of the Borrower and the other Loan Parties hereby represents and warrants to the Lenders, the Collateral Monitoring Agent, the Issuing Bank and the Agent that:

47

#### Section 3.1 Organization.

(a) Each of the Borrower, the Parent, each Subsidiary and each other Loan Party is duly organized and validly existing under the laws of its state or country of organization and has the power to own its assets and to transact the business in which it is presently engaged and in which it proposes to be engaged. Exhibit B accurately and completely lists, as to each of the Borrower, the Parent, each Subsidiary and each other Loan Party: (i) the state of incorporation or organization of each such entity, and the type of legal entity that each of them is, (ii) as to each of them that is a corporation, the classes and number of authorized and outstanding shares of capital stock of each such corporation, and, except with respect to the Parent, the owners of such outstanding shares of capital stock, (iii) as to each of them that is a legal entity other than a corporation (but not a natural person), the type and amount of equity interests authorized and outstanding of each such entity, and, except with respect to the Parent, the owners of such equity interests, and (iv) the

business in which each of such entities is engaged. All of the foregoing shares or other equity interests that are issued and outstanding have been duly and validly issued and are fully paid and non-assessable, and are owned by the Persons referred to on Exhibit B, free and clear of any Lien except as otherwise provided for herein. Except as set forth on Exhibit B, there are no outstanding warrants, options, contracts or commitments of any kind entitling any Person to purchase or otherwise acquire any shares of capital stock or other equity interests of the Borrower or any Subsidiary or any other Loan Party other than the Parent nor are there outstanding any securities that are convertible into or exchangeable for any shares of capital stock or other equity interests of the Borrower, any Subsidiary or any other Loan Party other than the Parent. Except as set forth on Exhibit B, neither the Borrower, the Parent, any Subsidiary nor any other Loan Party has any Subsidiary.

(b) Each of the Borrower, the Parent, each Subsidiary and each other Loan Party is in good standing in its state of organization and in each state in which it is qualified to do business. There are no jurisdictions other than as set forth on Exhibit B in which the character of the properties owned or proposed to be owned by the Borrower, the Parent, any Subsidiary or any other Loan Party or in which the transaction of the business of the Borrower, the Parent, any Subsidiary or any other Loan Party as now conducted requires the Borrower, the Parent, any Subsidiary or any other Loan Party to qualify to do business and as to which failure so to qualify could have a material adverse effect on the business, operations, financial condition or properties of the Borrower, the Parent, any Subsidiary and any other Loan Party taken as a whole.

#### Section 3.2 Power, Authority, Consents.

The Borrower and each other Loan Party has the power to execute, deliver and perform the Loan Documents to be executed by it. The Borrower has the power to borrow hereunder and has taken all necessary corporate action to authorize the borrowing hereunder on the terms and conditions hereof. The Borrower and each other Loan Party has taken all necessary action, corporate or otherwise, to authorize the execution, delivery and performance of the Loan Documents to be executed by it. No consent or approval of any Person (including, without limitation, any stockholder of any corporate Loan Party or any partner in any partnership Loan Party), no consent or approval of any landlord or mortgagee, no waiver of any Lien or right of

48

distrain or other similar right and no consent, license, certificate of need, approval, authorization or declaration of any governmental authority, bureau or agency, is or will be required in connection with the execution, delivery or performance by the Borrower or any other Loan Party, or the validity, enforcement or priority, of the Loan Documents or any Lien created and granted thereunder, except as set forth on Exhibit C, each of which either has been duly and validly obtained on or prior to the date hereof and is now in full force and effect, or is designated on Exhibit C as waived by the Majority Lenders.

#### Section 3.3 No Violation of Law or Agreements.

The execution and delivery by the Borrower and each other Loan Party of each Loan Document to which it is a party and performance by it hereunder and thereunder, will not violate any provision of law and will not, except as set forth on Exhibit C, conflict with or result in a breach of any order, writ, injunction, ordinance, resolution, decree, or other similar document or instrument of any court or governmental authority, bureau or agency, domestic or foreign, or any certificate of incorporation or by-laws of the Borrower or any other corporate Loan Party or partnership agreement or other organizational document or instrument of any Loan Party that is not a corporation, or create (with or without the giving of notice or lapse of time, or both) a default under or breach of any agreement, bond, note or indenture to which the Borrower or any other Loan Party is a party, or by which any of them is bound or any of their respective properties or assets is affected (which default or breach would have a material adverse effect on the business, financial conditions or operations of the Borrower, the Parent and the Subsidiaries taken as a whole), or result in the imposition of any Lien of any nature whatsoever upon any of the properties or assets owned by or used in connection with the business of the Borrower or any other Loan Party, except for the Liens created and granted pursuant to the Security Documents.

#### Section 3.4 Due Execution, Validity, Enforceability.

This Agreement and each other Loan Document to which any Loan Party is a party has been duly executed and delivered by the Loan Party that is a party thereto and each constitutes the valid and legally binding obligation of the Borrower or such other Loan Party that is a party thereto, enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally and except that the remedy of specific performance and other equitable remedies are subject to judicial discretion; provided, however, that such laws shall not materially interfere with the practical realization of the benefits of the Security Documents or the Liens created thereby, except for: (i) possible delay, (ii) situations that may arise under Chapters 11 and 7 of the Bankruptcy Code and applicable state bankruptcy laws, and (iii) equitable orders of the Bankruptcy Court.

### Section 3.5 Properties, Priority of Liens.

All of the properties and assets owned by the Borrower and each other Loan Party that is executing a Security Document are owned by each of them, respectively, free and clear of any Lien of any nature whatsoever, except as provided for in the Security Documents, and as

49

permitted by Section 7.2. The Liens that have been created and granted by the Security Documents constitute valid perfected first Liens on the properties and assets covered by the Security Documents, subject to no prior or equal Lien except as permitted by Section 7.2.

### Section 3.6 Judgments, Actions, Proceedings.

Except as set forth on Exhibit F, there are no outstanding judgments, actions or proceedings, including, without limitation, any Environmental Proceeding, pending before any court or governmental authority, bureau or agency, with respect to or, to the best of the Borrower's knowledge, threatened against or affecting the Borrower or any other Loan Party, involving, in the case of any court proceeding or threatened court proceeding, a claim in excess of \$100,000, nor, to the best of the Borrower's knowledge, is there any reasonable basis for the institution of any such action or proceeding that is probable of assertion, nor are there any such actions or proceedings in which the Borrower or any other Loan Party is a plaintiff or complainant.

### Section 3.7 No Default; Compliance With Laws.

Except as set forth on Exhibit G, neither the Borrower, the Parent, any Subsidiary nor any other Loan Party is in default under any agreement, ordinance, resolution, decree, bond, note, indenture, order or judgment to which it is a party or by which it is bound, or any other agreement or other instrument by which any of the properties or assets owned by it or used in the conduct of its business is affected, which default could have a material adverse effect on the business, operations, financial condition or properties of the Borrower, the Parent, any Subsidiary and any other Loan Party, taken as a whole, or on the ability of the Borrower or any other Loan Party to perform its obligations under the Loan Documents to which it is a party. The Borrower, the Parent, and each Subsidiary has complied and is in compliance in all respects with all applicable laws, ordinances and regulations, resolutions, ordinances, decrees and other similar documents and instruments of all courts and governmental authorities, bureaus and agencies, domestic and foreign, including, without limitation, all applicable Environmental Laws and Regulations, non-compliance with which could have a material adverse effect on the business, operations, financial condition or properties of the Borrower, the Parent, and any Subsidiary, taken as a whole, or on the ability of the Borrower, the Parent or any Subsidiary to perform its obligations under the Loan Documents to which it is a party.

### Section 3.8 Burdensome Documents.

Except as set forth on Exhibit H, neither the Borrower nor any of the other Loan Parties is a party to or bound by, nor are any of the properties or assets owned by the Borrower or any other Loan Party used in the conduct of their respective businesses affected by, any agreement, ordinance, resolution, decree, bond, note, indenture, order or judgment, including, without limitation, any of the foregoing relating to any Environmental Matter, that materially and adversely affects their respective businesses, assets or conditions, financial



or otherwise.

50

### Section 3.9 Financial Statements; Projections.

(a) Each of the Financial Statements is materially accurate and complete and presents fairly the financial position of the Borrower and the consolidated and consolidating financial position of the Parent and the Subsidiaries, as applicable, and each other entity to which it relates, as at its date, and has been prepared in accordance with generally accepted accounting principles. Neither the Borrower, the Parent, any of the Subsidiaries, nor any other entity to which any of the Financial Statements relates, has any material obligation, liability or commitment, direct or contingent (including, without limitation, any Environmental Liability), that is not reflected in the Financial Statements. There has been no material adverse change in the financial position or operations of the Borrower, the Parent or any of its Subsidiaries or any other entity to which any of the Financial Statements relates, taken as a whole, since the date of the latest balance sheet included in the Financial Statements (the "Latest Balance Sheet"). The Borrower's fiscal year is the twelve-month period ending on January 31 in each year.

(b) The Projections for Fiscal Year 2003 have been prepared, and the Projections for Fiscal Years 2004, 2005 and 2006 will be prepared, on the basis of the assumptions accompanying them and reflect as of the date thereof the Borrower's good faith projections, after reasonable analysis, of the matters set forth therein, based on such assumptions; provided, however, that the Lenders and the Agent acknowledge that projections as to future events are not statements of fact and that actual results during the period or periods covered by such Projections may differ from the projected results.

### Section 3.10 Tax Returns.

Each of the Borrower, the Parent and the Subsidiaries has filed all federal, state and local tax returns required to be filed by it and has not failed to pay any taxes, or interest and penalties relating thereto, on or before the due dates thereof including any extensions thereof. Except to the extent that reserves therefor are reflected in the Financial Statements: (i) there are no material federal, state or local tax liabilities of the Borrower, the Parent or any Subsidiary due or to become due for any tax year ended on or prior to the date of the Latest Balance Sheet relating to such entity, whether incurred in respect of or measured by the income of such entity, that are not properly reflected in the Latest Balance Sheet relating to such entity, and (ii) there are no material claims pending or, to the knowledge of the Borrower, proposed or threatened against any of the Borrower, the Parent or any Subsidiary for past federal, state or local taxes, except those, if any, as to which proper reserves are reflected in the Financial Statements.

### Section 3.11 Intangible Assets.

Each of the Borrower, the Parent, and the Subsidiaries possesses all patents, Trademarks, trade names, copyrights and trade-style names, and rights with respect to the foregoing, necessary to conduct its business as now conducted without any known conflict with the patents, Trademarks, trade names, copyrights, trade-style names and rights with respect to the foregoing, of any other Person, and each of such patents, Trademarks, trade names, copyrights, trade-style names and rights with respect thereto, together with any pending applications therefor, are listed

51

on Exhibit I. Exhibit I sets forth all patents, Trademarks, trade names, copyrights and trade-style names owned and used by the Borrower, the Parent and the Subsidiaries.

### Section 3.12 Regulation U.

No part of the proceeds received by the Borrower from the Loans will be used directly or indirectly for: (a) any purpose other than as set forth in Section 2.8, or (b) the purpose of purchasing or carrying, or for payment in full or in part of Indebtedness that was incurred for the purposes of purchasing or carrying, any "margin stock", as such term is defined in ss.221.3 of Regulation U of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter

II, Part 221.

Section 3.13 Name Changes, Mergers, Acquisitions; Location of Collateral.

(a) Except as set forth on Exhibit J, neither the Borrower nor any other Loan Party that is granting Liens on its assets pursuant to any Security Document has within the six (6) year period immediately preceding the date hereof changed its name, been the surviving entity of a merger or consolidation, or acquired all or substantially all of the assets of any Person.

(b) Neither the Borrower nor any other Loan Party that is granting liens on its assets pursuant to any Security Document has granted liens (other than statutory liens) to any person other than the Lenders on Collateral constituting personal property which Collateral has, at any time during the four-month period immediately preceding the date hereof, been located anywhere other than at its location on the date hereof.

Section 3.14 Full Disclosure.

None of the Financial Statements, the Projections, nor any certificate, opinion, or any other statement made or furnished in writing to the Agent or any Lender by or on behalf of the Borrower, the Parent, any of the Subsidiaries or any other Loan Party in connection with this Agreement or the transactions contemplated herein, contains any untrue statement of a material fact, or omits to state a material fact necessary in order to make the statements contained therein or herein not misleading, as of the date such statement was made. There is no fact known to the Borrower or the Parent that has, or would in the now foreseeable future have, a material adverse effect on the business, prospects or condition, financial or otherwise, of the Borrower, the Parent, any of the Subsidiaries and any other Loan Party, taken as a whole, which fact has not been set forth herein, in the Financial Statements, the Projections, or any certificate or other written statement so made or furnished to the Agent or the Lenders other than any statement with respect to matters affecting the economy as a whole or set forth in the Parent's filings with the Securities and Exchange Commission.

Section 3.15 Licenses and Approvals.

The Borrower, the Parent and each of the Subsidiaries has all necessary licenses, permits and governmental authorizations, the absence of which would have a material adverse effect on the business, financial condition or operations of the Borrower, the Parent and the Subsidiaries,

52

taken as a whole, including, without limitation, licenses, permits and authorizations relating to Environmental Matters, to own and operate its properties and to carry on its business as now conducted.

Section 3.16 Labor Disputes; Collective Bargaining Agreements; Employee Grievances.

(i) All collective bargaining agreements or other labor contracts covering the Borrower, the Parent or any Subsidiary are set forth on Exhibit K; (ii) except as set forth on Exhibit K, no such collective bargaining agreement or other labor contract will expire during the term hereof; (iii) to the best of the Borrower's knowledge, also set forth on Exhibit K are those locations where a union or other labor organization is seeking to organize, or to be recognized as bargaining representative for, a bargaining unit of employees of the Borrower, the Parent or any Subsidiary; (iv) to the best of the Borrower's knowledge, there is no pending or threatened strike, work stoppage, material unfair labor practice claim or charge, arbitration or other material labor dispute against or affecting the Borrower, the Parent or any Subsidiary or their representative employees; (v) there has not been, during the five (5) year period prior to the date hereof, a strike, work stoppage, material unfair labor practice claim or charge, arbitration or other material labor dispute against or affecting the Borrower, the Parent or any Subsidiary or any of their representative employees, and (vi) there are no actions, suits, charges, demands, claims, counterclaims or proceedings pending or, to the best of the Borrower's knowledge, threatened against the Borrower, the Parent or any of the Subsidiaries, by or on behalf of, or with, its employees, other than employee grievances arising in the ordinary course of business that are not, in the aggregate, material.

Section 3.17 Condition of Assets.

All of the assets and properties of the Borrower, the Parent and the Subsidiaries, that are reasonably necessary for the operation of its business, are in good working condition, ordinary wear and tear excepted, and are able to serve the function for which they are currently being used.

Section 3.18 ERISA.

(a) Except as described in Exhibit L, neither the Borrower nor the Parent has, and neither of them has ever had, any Pension Plan in connection with which there could arise a direct or contingent liability of the Borrower to the PBGC, the department of Labor or the IRS. Except as described in Exhibit L, neither the Parent nor the Borrower is a participating employer in: (i) any Pension Plan under which more than one employer makes contributions as described in Sections 4063 and 4064 of ERISA, or (ii) a multiemployer plan as defined in Section 4001(a)(3) of ERISA. With respect to any Multiemployer Plan, both the Borrower and the Parent have paid or accrued all contributions pursuant to the terms of the applicable collective bargaining agreement required to be paid or accrued by it; neither the Borrower nor the Parent has had a complete withdrawal under Section 4203 of ERISA or partial withdrawal under Section 4205 of ERISA; and neither the Borrower nor the Parent had any mass withdrawal liability.

53

(b) Neither the Borrower nor the Parent has any contingent liability with respect to any post-retirement benefit under any Employee Benefit Plan, other than liability for health plan continuation coverage under Code Section 4980 B.

(c) Except as described in Exhibit L, each Employee Benefit Plan complies, in both form and operation, in all material respects, with its terms, ERISA and the Code including, without limitation, Code Section 4980B and to the best of the Borrower's knowledge, no condition exists or event has occurred with respect to any plan which would result in the incurrence by Borrower and Parent of any material liability, fine, or penalty. Each Employee Benefit Plan and related trust agreement is legally valid and binding and in full force and effect to the extent not heretofore terminated. To the best of the Borrower's knowledge, no Employee Benefit Plan is being audited or investigated by any government agency or subject to any pending or threatened claim or suit. Neither the Borrower nor the Parent has engaged in any transaction which would subject it to liability under Section 4212(c) of ERISA.

(d) Neither the Parent nor the Borrower nor any fiduciary of any Employee Benefit Plan has engaged in any prohibited transaction under Section 406 of ERISA which would have a material adverse effect on the business, operations or condition, financial or otherwise, of the Borrower or the Parent. The execution, delivery and carrying out of the terms of any agreement that is related to this transaction will not constitute a prohibited transaction under such Section.

(e) There are no agreements which will provide payments to any officer, employer, shareholder or highly compensated individual which will be "parachute payments" under Section 280G of the Code that are nondeductible to any Loan Party and which will be subject to the tax under Section 4999 of the Code for which any Loan Party would have a material withholding liability.

(f) All references to the Borrower and the Parent in this Section 3.18 or in any other Section hereof relating to ERISA, shall be deemed to refer to the Borrower, the Parent and all other entities which are considered ERISA Affiliates.

Section 3.19 Account Representations and Warranties.

Except as specifically disclosed on Exhibit O, with respect to all present and future Eligible Accounts included in the determination of the Borrowing Base:

(a) Each Account included in each such Borrowing Base satisfies the definition of Eligible Accounts.

(b) No such Account has been assigned or pledged to any other Person.

(c) To the best of the Borrower's knowledge, there are no facts, events, or occurrences that in any way impair the validity or enforcement of any such Account of the Borrower or tend to reduce the amount payable thereunder from the amount of the invoice value

54

shown on any schedule of accounts or on any contracts, invoices, and statements delivered to the Agent with respect thereto.

#### Section 3.20 Borrowing Base Certificates.

The information set forth in each Borrowing Base Certificate is or will be on the date delivered true, complete and correct, and each Account included in each such Borrowing Base satisfies or will satisfy on the date of the applicable Borrowing Base Certificate the requirements for Eligible Accounts set forth in this Agreement, including without limitation the definitions applicable thereto.

#### Section 3.21 Accounts Receivable Aging Reports; Key Item Reports.

The information set forth in each Accounts Receivable Aging Report and Key Item Report is or will be on the date thereof true, complete and correct with respect to the subject matter thereof.

#### Section 3.22 Inventory Representations and Warranties.

Except as specifically disclosed on Exhibit O, with respect to all present and future Eligible Inventory included in the determination of the Borrowing Base:

(a) All Inventory is located on the premises listed on the schedules attached to the Borrower Security Agreement or is Eligible Inventory in transit for sale in the ordinary course of business;

(b) No Inventory is subject to any Lien or security interest whatsoever, except for the Liens and security interests of the Agent and the Lenders and those Liens or security interests set forth in Section 7.2; and

(c) Except as specified in the Borrower Security Agreement or otherwise permitted by this Agreement, no Eligible Inventory is now stored or shall at any time hereafter be stored with a bailee, warehouseman, or similar party.

#### Section 3.23 Forfeiture Proceeding.

Neither the Borrower nor any of its Subsidiaries or Affiliates is engaged in or proposes to be engaged in the conduct of any business or activity which could result in a Forfeiture Proceeding and no Forfeiture Proceeding against any of them is pending or threatened.

#### Section 3.24 Americans with Disabilities Act.

The Borrower, the Parent and its Subsidiaries are in compliance with all applicable provisions of the Americans with Disabilities Act (42 U.S.C. ss. 12101-12213) and the regulations issued thereunder.

55

#### Section 3.25 Security Documents.

(a) The Security Agreement is effective to create in favor of the Agent, for the ratable benefit of the Lenders, the Collateral Monitoring Agent and the Issuing Bank, a legal, valid and enforceable security interest in the Collateral (as defined in the Security Agreement) and, when (i) the pledged property constituting such Collateral is delivered to the Agent, (ii) financing statements in appropriate form are filed in the offices of the secretary of state of the jurisdiction of organization of the Borrower and each Corporate Guarantor or such other office specified by the UCC and (iii) all other applicable filings under the UCC or otherwise that are required or permitted under the Loan Documents are made, the Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the grantors thereunder in such Collateral (other than the intellectual property or any other Collateral for which perfection of a security interest is not governed by the UCC), in each case prior and superior in right to any other

Person, other than with respect to Liens expressly permitted by Section 7.2.

(b) Except to the extent that the recording of an assignment or other transfer of title to the Agent or the recording of other applicable documents in the United States Patent and Trademark Office, the United States Copyright Office or the filing of financing statements in the appropriate form in the offices of the secretary of state of the jurisdiction of organization of the Borrower and each Corporate Guarantor or such other office specified by the UCC may be necessary for perfection, the Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Borrower and the Corporate Guarantors in the intellectual property in which a security interest may be perfected by filing, recording or registering a security agreement, financing statement or analogous document in the United States Patent and Trademark Office or the United States Copyright Office, as applicable, in each case to the extent permitted by applicable law prior and superior in right to any other Person, other than with respect to Liens expressly permitted by Section 7.2.

#### ARTICLE 4. CONDITIONS.

##### Section 4.1 Conditions to Closing.

The obligation of the Collateral Monitoring Agent to make Loans, and the obligation of the Issuing Bank to issue or amend Trade L/Cs, Standby L/Cs, Acceptances, Steamship Guaranties and Airway Releases hereunder, in each case for the account of the Lenders, shall be subject to the fulfillment (to the satisfaction of the Agent, the Collateral Monitoring Agent, the Issuing Bank and the Lenders) of the following conditions precedent:

(a) The Borrower shall have executed and delivered to each Lender its Note;

(b) The Borrower shall have executed and delivered to the Agent an Application with respect to each L/C, if any, requested by it;

(c) The Guarantors shall have executed and delivered to the Agent the Guarantee Agreement;

56

(d) The Borrower and the Corporate Guarantors shall have executed and delivered the Security Agreement, and shall have delivered to the Agent:

(i) To the extent not previously delivered to the Agent, any stock certificates or other instruments representing the capital stock or other equity interests pledged pursuant to such agreement owned by the Borrower or any such Corporate Guarantor;

(ii) To the extent not previously delivered to the Agent, any promissory notes or other instruments evidencing the indebtedness assigned pursuant to such agreement owed or owing to the Borrower or any such Corporate Guarantor;

(iii) To the extent not previously delivered to the Agent, stock powers and instruments of transfer, endorsed in blank, with respect to such stock certificates, promissory notes and other instruments; and

(iv) All instruments and other documents, including Uniform Commercial Code financing statements, required by law or reasonably requested by the Agent to be filed, registered or recorded to create or perfect the Liens intended to be created under the Security Agreement;

(e) The Borrower shall have delivered to the Agent the Continuing Agreement for Issuance of Steamship Guaranty and Airway Releases;

(f) The Borrower shall have delivered evidence of insurance coverage on the Inventory and as otherwise required by the terms hereof, with endorsements showing the Agent as co-insured and loss payee, for the ratable benefit of the Lenders, and an undertaking by the insurance company or companies to give the Agent not less than 30 days notice of any proposed cancellation or non-renewal;

(g) The Borrower shall have delivered to the Agent evidence of (i) insurance policies on the life of Morris Goldfarb required to be maintained by the Parent pursuant to Section 6.8(c) and (ii) payment of the premium in

connection with such insurance policies covering the period through May 31, 2002.

(h) Fulbright & Jaworski L.L.P., counsel to the Borrower, the Parent, Siena, Retail, Holdings, Sources, License Company and G-III Brands shall have delivered their opinion to, and in form and substance satisfactory to, the Agent and the Lenders;

(i) The Agent shall have received true and complete copies of the Financial Statements and the Projections for Fiscal Year 2003, each certified as such in a certificate executed by the president, chief operating officer or chief financial officer of the Borrower, and the Financial Statements shall show no material changes from the unaudited consolidated financial statements of the Parent and its Subsidiaries (including the Borrower) as at and for the Fiscal Year ending January 31, 2002 previously delivered to the Agent;

57

(j) The Agent shall have received copies of all of the consents, approvals and waivers referred to on Exhibit C (except only those which, as stated on Exhibit C, shall not be delivered) including, without limitation, all landlord waivers of distraint or similar instruments of waiver or subordination with respect to all leased locations where Collateral is located;

(k) The Agent shall have received such documentation and certificates as the Agent or its counsel may reasonably request relating to the organization, existence and good standing of each Loan Party, the authorization of the execution, delivery and performance of each of the Loan Documents to which it is a party and the transactions contemplated thereby, the incumbency of the officers of such Loan Party executing any such Loan Document and any other legal matters relating to the Loan Parties, the Loan Documents or the transactions contemplated thereby, all in form and substance satisfactory to the Agent;

(l) (i) The Borrower shall have complied and shall then be in compliance with all of the terms, covenants and conditions hereof;

(ii) After giving effect to the execution and delivery hereof, there shall exist no Default or Event of Default hereunder; and

(iii) The representations and warranties contained in Article 3 shall be true and correct on the date hereof;

and the Agent shall have received a Compliance Certificate dated the date hereof certifying, inter alia, that the conditions set forth in this Section 4.1(l) are satisfied on such date; and

(m) All legal matters incident to the initial closing shall be satisfactory to counsel to the Agent and the Lenders.

#### Section 4.2 Conditions to Subsequent Loans and Issuance of L/Cs.

The obligation of the Collateral Monitoring Agent to make any Loan and the obligation of the Issuing Bank to issue or amend a Trade L/C, Standby L/C, Acceptance, Steamship Guaranty or Airway Release, in each case for the account of the Lenders, subsequent to the date hereof shall be subject to the fulfillment (to the reasonable satisfaction of the Collateral Monitoring Agent, the Issuing Bank, the Agent and the Lenders) of the following conditions precedent:

(a) The Collateral Monitoring Agent shall have received a Borrowing Base Certificate of current date;

(b) All legal matters incident to such transaction shall be reasonably satisfactory to counsel for, the Collateral Monitoring Agent, the Issuing Bank, the Agent and the Lenders;

(c) The representations and warranties contained in each Loan Document shall be correct in all material respects on and as of such date, before and after giving effect to

58

such borrowing or issuance or amendment and to the application of the proceeds

therefrom, as though made on and as of such date, other than any such representations or warranties that, by their terms, refer to a specific date other than the date of such borrowing, issuance or amendment, in which case, as of such specific date; and

(d) No event shall have occurred and shall be continuing, or would result from such borrowing or issuance or amendment or from the application of the proceeds therefrom, that constitutes a Default.

#### ARTICLE 5. DELIVERY OF FINANCIAL REPORTS, DOCUMENTS AND OTHER INFORMATION.

While the Commitments are outstanding, and so long as the Borrower is indebted to any Lender, the Agent, the Collateral Monitoring Agent or the Issuing Bank and until payment in full of the Loans and Acceptances and the termination or expiration of all the L/Cs, Steamship Guaranties and Airway Releases, and full and complete performance of all of its other obligations arising hereunder, the Borrower shall deliver to the Collateral Monitoring Agent and each Lender the following, subject to the provisions of Section 5.11:

##### Section 5.1 Annual Financial Statements.

(a) Annually, as soon as available, but in any event within 90 days after the last day of each of its fiscal years, a consolidated and consolidating balance sheet of the Parent and the Subsidiaries (including the Borrower) as at such last day of the fiscal year, and consolidated and consolidating statements of income and retained earnings and consolidated statements of cash flow of the Parent and the Subsidiaries (including the Borrower), for such fiscal year, each prepared in accordance with generally accepted accounting principles consistently applied, in reasonable detail, and, as to the consolidated statements of the Parent, certified without qualification by Ernst & Young L.L.P. or another firm of independent certified public accountants reasonably satisfactory to the Agent and the Lenders, and certified, as to the consolidating statements, by the chief executive officer, president, chief operating officer or the chief financial officer of the Parent, as fairly presenting the financial position and the results of operations of the Parent and the Subsidiaries (including the Borrower) as at and for the year ending on its date and as having been prepared in accordance with generally accepted accounting principles.

(b) Annually, within 120 days after the last day of each of its fiscal years, management prepared divisional income statements in reasonable detail for the preceding fiscal year.

##### Section 5.2 Semi-Annual Financial Statements; Quarterly Financial Statements.

(a) As soon as available, but in any event within 45 days after the end of the Parent's first three (3) fiscal quarterly periods, a consolidating and consolidated balance sheet of the Parent and the Subsidiaries (including the Borrower) as of the last day of such quarter, a

59

statement of income and retained earnings and consolidating and consolidated statements of income and retained earnings of the Parent and the Subsidiaries (including the Borrower) as of the last day of such quarter and for the fiscal year to date, and consolidated statements of cash flow, and on a comparative basis figures for the corresponding period of the immediately preceding fiscal year, all in reasonable detail, each such statement (i) to provide a specific certification with respect to compliance with the financial covenants set forth in Section 6.9 and (ii) to be certified in a certificate of the president, chief operating officer or chief financial officer of the Parent as accurately presenting the financial position and the results of operations of the Parent and the Subsidiaries (including the Borrower), as at its date and for such quarter and for the fiscal year to date and as having been prepared in accordance with generally accepted accounting principles consistently applied (subject to year-end audit adjustments).

(b) Within 60 days after a request by the Agent from time to time, a management prepared divisional income statement for the preceding quarter and for the fiscal year to date and on a comparative basis figures for the corresponding period of the immediately preceding fiscal year, all in reasonable detail.

### Section 5.3 Compliance Information.

Promptly after a written request therefor, such other financial data or information evidencing compliance with the requirements hereof, the Notes and the other Loan Documents, as any Lender may reasonably request from time to time.

### Section 5.4 No Default Certificate.

At the same time as it delivers the financial statements required under the provisions of Section 5.1 and 5.2, a certificate of the chief executive officer, president, chief operating officer or chief financial officer of the Borrower and the Parent, respectively, to the effect that no Default hereunder and that no default under any other material agreement to which the Borrower, the Parent or any of the Subsidiaries is a party or by which it is bound, or by which, to the best knowledge of the Borrower, the Parent or any Subsidiary, any of its properties or assets, taken as a whole, may be materially affected, and no event which, with the giving of notice or the lapse of time, or both, would constitute such an Event of Default or default, exists, or, if such cannot be so certified, specifying in reasonable detail the exceptions, if any, to such statement. Such certificate shall be accompanied by a detailed calculation indicating compliance with the covenants contained in Sections 6.9, 7.13 and 7.14.

### Section 5.5 Rental Obligations; Capitalized Lease Obligations.

Within 15 days after the end of each of the Parent's fiscal quarters, a certificate of the chief executive officer, president, chief operating officer or chief financial officer of the Parent setting forth the dollar amount of expenditures made by the Borrower, the Parent and its Subsidiaries in respect of rental obligations and Capitalized Lease Obligations for the fiscal period ending on such date and a calculation indicating that the Borrower, the Parent and its Subsidiaries are in compliance with the provisions of Sections 7.14 and 7.18.

60

### Section 5.6 Accountants' Reports.

Promptly upon receipt thereof, copies of all other reports or correspondence submitted to the Borrower or the Parent by its independent accountants in connection with any annual or interim audit or review of the books of the Borrower or the Parent made by such accountants, including, without limitation, accountant's management letters.

### Section 5.7 Copies of Documents.

Promptly upon their becoming available, copies of any: (i) financial statements, projections, non-routine reports, notices (other than routine correspondence), requests for waivers and proxy statements, in each case, delivered by the Borrower, the Parent or any of the Subsidiaries to any lending institution other than the Lenders; (ii) correspondence or notices received by the Borrower or the Parent from any federal, state or local governmental authority that regulates the operations of the Borrower, the Parent or any of its Subsidiaries, relating to an actual or threatened change or development that would be materially adverse to the Borrower, the Parent or any Subsidiary, taken as a whole; (iii) registration statements and any amendments and supplements thereto, and any regular and periodic reports, if any, filed by the Borrower or the Parent or any of its Subsidiaries with any securities exchange or with the Securities and Exchange Commission or any governmental authority succeeding to any or all of the functions of the said Commission; (iv) letters of comment or correspondence sent to the Borrower or the Parent or any of the Subsidiaries by any such securities exchange or such Commission in relation to the Borrower or the Parent or any of the Subsidiaries and its affairs; (v) written reports submitted by the Borrower or the Parent or any of the Subsidiaries by its independent accountants in connection with any annual or interim audit of the books of the Borrower or the Parent or the Subsidiaries made by such accountants; (vi) proxy statements, notices and other correspondence delivered by the Parent to its shareholders; (vii) any appraisals received by the Borrower or the Parent or any of the Subsidiaries with respect to the properties or assets of the Borrower or the Parent or the Subsidiaries; and (viii) any other information reasonably requested by the Agent or any Lender.

### Section 5.8 Notices of Defaults.



Promptly, notice of the occurrence of any Default or Event of Default, any event that after any necessary notice and/or cure period may become a Default or Event of Default under Section 8.4(b) or any event that would constitute or cause a material adverse change in the condition, financial or otherwise, or the operations of the Borrower or the Parent or any of the Subsidiaries, including, without limitation, a default or a cancellation under any lease of property where inventory is stored.

#### Section 5.9 ERISA Notices.

(a) Concurrently with such filing, a copy of each Form 5500 that is filed with respect to each Pension Plan with the IRS; and

61

(b) Promptly, upon their becoming available, copies of: (i) all correspondence with the PBGC, the Secretary of Labor or any representative of the IRS with respect to any Pension Plan, relating to an actual or threatened change or development that would be materially adverse to the Borrower or the Parent or any Subsidiary; (ii) copies of all actuarial valuations received by the Borrower or the Parent with respect to any Pension Plan; and (iii) copies of any notices of Plan termination filed by any Pension Plan Administrator (as those terms are used in ERISA) with the PBGC and of any notices from the PBGC to the Borrower or the Parent with respect to the intent of the PBGC to institute involuntary termination proceedings; and

(c) Promptly upon receipt by the Borrower or the Parent of any correspondence from a Multiemployer Plan with respect to withdrawal liability.

#### Section 5.10 Additional Information and Reports.

To the Collateral Monitoring Agent only, unless requested by any Lender with respect to a specific delivery or deliveries and then only for such specific delivery or deliveries so requested (except in the case of the reports identified in clauses (c)(ii), (iii) and (v) and (e) below, which Borrower shall at all times deliver to each Lender),

(a) Daily, a Borrowing Base Certificate in the form attached hereto as Exhibit P, with ineligible Accounts and ineligible Inventory in Item 6 of such Borrowing Base Certificate being recalculated on a weekly basis only at the time the reports identified in Section 5.10(b) are delivered.

(b) Weekly, with respect to each week ending Friday delivered by Wednesday of the following week:

(i) an Accounts Receivable Aging Report;

(ii) an Available to Sell Report designated in Dollars in the form attached hereto as Exhibit D-1;

(iii) an Available to Sell Report designated in units of Inventory in the form attached hereto as Exhibit D-2;

(iv) an Inventory Analysis Report on LDP Cost vs LCM Cost in the form attached hereto as Exhibit D-3; and

(v) a divisional status report detailing by division: (A) open customer orders detailed by "this year versus last year" and "TLC/FLC versus warehouse"; and (B) inventory detailed as to inventory on hand and in transit.

(c) Monthly, delivered not more than 25 days (except as otherwise provided below) after the end of each calendar month:

62

(i) all the reports identified in clauses (b)(i) through (b)(iv) above, prepared on a monthly basis as to the preceding calendar month;

(ii) a key item report ("Key Item Report"), as of the last day of the immediately preceding month with respect to the Borrower and each Guarantor in the form attached hereto as Exhibit D-4; provided, however,

that such statement may be delivered not more than 30 days after the end of each calendar month; provided further that such statement shall not be required during the months of February and March;

(iii) a statement with respect to compliance with the financial covenants set forth in Section 6.9 (other than the covenant in Section 6.9(a)); provided, however, that such statement may be delivered not more than 30 days after the end of each calendar month;

(iv) a reconciliation between the general ledger and the Accounts Receivable Aging Report and the month-end Borrowing Base Certificate; and

(v) the report on the accounts receivable delivered to CIT pursuant to the Amended and Restated Accounts Receivable Purchase Agreement dated November 8, 1995 between the Borrower and CIT;

(vi) a Gross Margin Report in form satisfactory to the Collateral Monitoring Agent and the Lenders; and

(vii) an accounts payable aging report in form satisfactory to the Collateral Monitoring Agent;

each of which shall be certified as true and correct by the chief executive officer, president, chief operating officer or the chief financial officer of the Borrower or the Parent, as the case may be.

(d) Promptly after a request by the Agent, such other information regarding the business, affairs and condition of the Borrower, the Parent and the Subsidiaries as the Agent may from time to time reasonably request.

(e) By no later than December 15 each year during the term hereof, (A) Projections for the next fiscal year, (B) a business plan for such fiscal year and (C) preliminary forecasted annual unaudited consolidated financial statements for the current fiscal year.

#### Section 5.11 Confidentiality of Information.

The Agent, the Collateral Monitoring Agent, the Issuing Bank and the Lenders acknowledge that any information provided to any of them pursuant to this Article 5 which is marked "confidential" shall be delivered to the recipient with the understanding that, subject to the provisions of Section 10.13(g), the recipient will hold all such information with respect to the Parent confidential and that the Parent, as a company whose shares are publicly traded, is relying

63

on such understanding in delivering that information; provided, however, that, notwithstanding the foregoing, each of the Agent, the Collateral Monitoring Agent, the Issuing Bank and the Lenders may disclose or disseminate such information to: (a) its directors, officers, employees, agents, attorneys, accountants and other professional advisors who would ordinarily have access to such information in the normal course of the performance of their duties or services with the understanding that each of such individuals will use its best efforts to hold all such information confidential; and (b) such third parties as it may, in its discretion, deem reasonably necessary or desirable in connection with or in response to (i) compliance with any law, ordinance or governmental order, regulation, rule, policy, subpoena, investigation or request, or (ii) any order, decree, judgment, subpoena, notice of discovery or similar ruling or pleading issued, filed, served or purported on its face to be issued, filed or served (x) by or under authority of any court, tribunal, arbitration board of any governmental agency, commission, authority, board or similar entity, or (y) in connection with any proceeding, case or matter pending (or on its face purported to be pending) before any court, tribunal, arbitration board or any governmental agency, commission, authority, board or similar entity. The Agent, the Collateral Monitoring Agent, the Issuing Bank and the Lenders shall have no continuing obligations with respect to confidentiality of information following an Event of Default.

#### ARTICLE 6. AFFIRMATIVE COVENANTS.

While the Commitments are outstanding and, so long as the Borrower is indebted to the Lenders, the Agent, the Collateral Monitoring Agent or the Issuing Bank and until payment in full of the Loans and Acceptances and the termination or expiration of all L/Cs, Steamship Guaranties and Airway Releases,

and full and complete performance of all of its other obligations arising hereunder, the Borrower and the Parent shall and the Parent shall cause each Subsidiary to:

Section 6.1 Books and Records.

Keep proper books of record and account in a manner reasonably satisfactory to the Agent and the Lenders in which full, true and correct entries shall be made of all dealings or transactions in relation to its business and activities.

Section 6.2 Inspections and Field Examinations.

Permit the Collateral Monitoring Agent and the Lenders (in the case of the Lenders, only when accompanying the Collateral Monitoring Agent) to make or cause to be made, inspections and field examinations of any books, records and papers of the Borrower, the Parent and each of the Subsidiaries and to make extracts therefrom and copies thereof, or to make inspections and examinations of any properties and facilities of the Borrower, the Parent and the Subsidiaries, on reasonable notice, at all such reasonable times and as often as the Agent and the Lenders may reasonably require (and in any event not less than three times in any twelve-month period with respect to field examinations), in order to assure that each the Borrower and the Parent is and will be in compliance with its obligations under the Loan Documents or to evaluate the Lenders' investment in the then Outstanding Obligations.

64

Section 6.3 Maintenance and Repairs.

Maintain in good repair, working order and condition, subject to normal wear and tear, all material properties and assets from time to time owned by it and used in or necessary for the operation of its business, and make all reasonable repairs, replacements, additions and improvements thereto.

Section 6.4 Continuance of Business.

(a) Do, or cause to be done at its expense, all things reasonably necessary to preserve and keep in full force and effect its corporate existence and all permits, rights and privileges necessary for the proper conduct of its business, except where the failure to keep any of the foregoing in effect will not have a material adverse effect on the business of the Borrower, and continue generally to engage in the same line of business and comply in all material respects with all applicable laws, regulations and orders.

(b) Do, or cause to be done at its expense, all things reasonably necessary to preserve and maintain all patents, Trademarks, copyrights and trade-style names which are of material value to the operation of its business.

Section 6.5 Copies of Corporate Documents.

Without limiting the prohibitions set forth in Section 7.12, promptly deliver to the Agent and each Lender copies of any amendments or modifications to the Borrower's, the Parent's and any Subsidiary's certificate of incorporation and by-laws, certified with respect to the certificate of incorporation by the Secretary of State of its state of incorporation and, with respect to the by-laws, by the secretary or assistant secretary of such corporation.

Section 6.6 Perform Obligations.

Pay and discharge all of its obligations and liabilities, including, without limitation, all taxes, assessments and governmental charges upon its income and properties when due, unless and to the extent only that such obligations, liabilities, taxes, assessments and governmental charges shall be contested in good faith and by appropriate proceedings and that, to the extent required by generally accepted accounting principles then in effect, proper and adequate book reserves relating thereto are established by the Borrower, or, as the case may be, by the Parent or the appropriate Subsidiary, and then only to the extent that a bond is filed in cases where the filing of a bond is necessary to avoid the creation of a Lien against any of its properties.

Section 6.7 Notice of Litigation.

Promptly notify the Agent and the Lenders in writing of any litigation,

legal proceeding or dispute, other than disputes in the ordinary course of business or, whether or not in the ordinary course of business, involving amounts in excess of One Hundred Thousand Dollars (\$100,000), affecting the Borrower, the Parent or any Subsidiary whether or not fully covered by insurance, and regardless of the subject matter thereof (excluding, however, any actions relating

65

to workers' compensation claims or negligence claims relating to use of motor vehicles, if fully covered by insurance, subject to deductibles).

Section 6.8 Insurance.

(a) (i) Maintain with responsible insurance companies acceptable to the Agent such insurance on such of its properties, in such amounts and against such risks as is customarily maintained by similar businesses similarly situated, naming the Agent as loss payee for the ratable benefit of the Lenders; (ii) file with the Agent upon its request a detailed list of the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, the dates of the expiration thereof and the properties and risks covered thereby; (iii) within 10 days after notice in writing from the Agent, obtain such additional insurance as the Agent may reasonably request; and (iv) provide for endorsements or certifications (1) scheduling the coverage under such insurance, (2) identifying the Agent as "loss payee" for the ratable benefit of the Lenders, and (3) specifying that such insurance shall be non-cancelable unless not less than 30 days' notice is given to the Agent;

(b) Carry all insurance available through the PBGC or any private insurance companies covering its obligations to the PBGC; and

(c) (i) Maintain with one or more responsible insurance companies acceptable to the Agent and the Lenders, term life insurance on the life of Morris Goldfarb, in the amount of not less than \$20,000,000 naming the Agent for the ratable benefit of the Lenders as assignee of such insurance and (ii) file with the Agent upon its request a detailed list of the insurance on the life of Morris Goldfarb, then in effect, stating the names of the insurance companies, the amounts and rates of insurance and the expiration dates thereof.

Section 6.9 Financial Covenants.

(a) Have or maintain, with respect to the Parent on a consolidated basis, EBITDA on a cumulative basis from the first day of each fiscal year through the date set forth below at not less than, or, in the case of a loss, not more than, the respective amounts set forth below opposite each such last day of the fiscal quarter:

Date	EBITDA
----	-----
April 30, 2002	(\$ 7,300,000)
July 31, 2002	(\$ 2,500,000)
October 31, 2002	\$10,300,000
January 31, 2003	\$ 8,800,000

and the respective amounts for each of Fiscal Year 2004, Fiscal Year 2005 and the Stub Period shall be preliminarily determined by the Majority Lenders and the Borrower based on the Projections and business plan (in each case delivered pursuant to Section 5.10(e)) for Fiscal Year 2004, Fiscal Year 2005 and Fiscal Year 2006, respectively and the unaudited financial statements (delivered pursuant to Section 5.10(e)) for Fiscal Year 2003, Fiscal Year 2004 and

66

Fiscal Year 2005, respectively, but in no event shall the periods be of different durations or the amounts be less than (if such amount is negative) or greater than (if such amount is positive) the amounts for the periods corresponding to the periods set forth above unless the Majority Lenders determine (in their reasonable discretion) that such periods and amounts warrant adjustment based on the financial condition of the Borrower as set forth in the applicable Projections, business plan or unaudited financial statements, which preliminary determination shall be made within 60 days of receipt by the Lenders of such Projections, business plan and unaudited financial statements, and such determination shall become effective after receipt and satisfactory review by

the Lenders of the Financial Statements for Fiscal Year 2003, Fiscal Year 2004, and Fiscal Year 2005, respectively.

(b) Have or maintain, with respect to the Parent on a consolidated basis, Tangible Net Worth as of the dates set forth below at not less than the respective amounts set forth opposite each such date:

Date	Minimum Tangible Net Worth
----	-----
April 30, 2002	\$46,500,000
July 31, 2002	\$48,700,000
October 31, 2002	\$56,200,000
January 31, 2003	\$53,500,000

and the respective amounts for each of Fiscal Year 2004, Fiscal Year 2005 and the Stub Period shall be determined in the sole discretion of the Majority Lenders within 60 days of receipt by the Lenders of the Projections and business plan (in each case delivered pursuant to Section 5.10(e)) for Fiscal Year 2004, Fiscal Year 2005 and Fiscal Year 2006, respectively and the unaudited financial statements (delivered pursuant to Section 5.10(e)) for Fiscal Year 2003, Fiscal Year 2004 and Fiscal Year 2005, respectively, and such determination shall become effective after receipt and satisfactory review by the Lenders of the Financial Statements for Fiscal Year 2003, Fiscal Year 2004 and Fiscal Year 2005, respectively.

(c) Have no Loans and Acceptances outstanding for 45 consecutive days during each period from December 1 through April 30 during the term hereof; provided, however, that if Acceptances are outstanding during any such period, the Borrower shall nevertheless be deemed to have satisfied such requirement if the Collateral Monitoring Agent is holding for the account of the Borrower during such 45 consecutive day period excess cash in an amount which would be sufficient to repay such outstanding Acceptances.

(d) Maintain Direct Debt outstanding at an amount not to exceed 75% of Eligible Accounts plus any cash held by the Collateral Monitoring Agent for the account of the Borrower for 45 consecutive days during each period from November 1 through April 30 during the term hereof.

67

#### Section 6.10 Notice of Certain Events.

(a) Promptly notify the Agent in writing of the occurrence of any Reportable Event, as defined in Section 4043 of ERISA, with respect to a Pension Plan maintained by the Borrower or an ERISA Affiliate, if a notice of such Reportable Event is required under ERISA to be delivered to the PBGC within 30 days after the occurrence thereof, together with a description of such Reportable Event and a statement of the action the Borrower or the Parent, as the case may be, intends to take with respect thereto, together with a copy of the notice thereof given to the PBGC.

(b) Promptly notify the Agent in writing of the receipt by the Borrower or the Parent of an assessment of withdrawal liability in connection with a complete or partial withdrawal with respect to any Multiemployer Plan and the statement of the action that the Loan Party or ERISA Affiliate intends to take with respect thereto.

(c) Promptly notify the Agent in writing if the Borrower or the Parent or any other Loan Party receives: (i) any notice of any violation or administrative or judicial complaint or order having been filed or about to be filed against the Borrower or the Parent or such other Loan Party alleging violations of any Environmental Law and Regulation, or (ii) any notice from any governmental body or any other Person alleging that the Borrower or the Parent or such other Loan Party is or may be subject to any Environmental Liability; and promptly upon receipt thereof, provide the Agent with a copy of such notice together with a statement of the action the Borrower or the Parent or such other Loan Party intends to take with respect thereto.

#### Section 6.11 Comply with ERISA.

Comply with all applicable provisions of ERISA now or hereafter in effect unless the failure to so comply will not have a material effect on the business of the Borrower or any ERISA Affiliate.

Section 6.12 Environmental Compliance.

Operate all property owned or leased by it such that no obligation, including a clean-up obligation, shall arise under any Environmental Law and Regulation, which obligation would constitute a Lien on any property of the Borrower or the Parent or any other Loan Party; provided, however, that in the event that any such claim is made or any such obligation arises, the Borrower, the Parent or such other Loan Party shall, at its own cost and expense, immediately satisfy such claim or obligation.

Section 6.13 Management Letters.

If the Borrower, the Parent or any Subsidiary receives a management letter with respect to the Borrower, the Parent or any Subsidiary prepared by Ernst & Young L.L.P. or another firm of independent certified public accountants, provide a copy of such management letter to the Lenders within five (5) days following receipt.

68

Section 6.14 Tax Refunds.

Instruct, or otherwise arrange with, the IRS, state tax authorities and other relevant authorities for all tax refunds payable to the Parent, the Borrower or any Subsidiaries to be paid as a cash refund, rather than as applied as a credit against their current or future tax liabilities. The Parent, the Borrower and all Subsidiaries will apply for all available tax refunds within 60 days following the date hereof and will thereafter diligently prosecute such applications to conclusion.

Section 6.15 Additional Subsidiaries.

If any Subsidiary organized under the laws of the United States of America or any state thereof is formed or acquired after the Closing Date, (a) notify the Agent and the Lenders in writing thereof within five Business Days after the date on which such Subsidiary is formed or acquired and (i) cause such Subsidiary to (A) execute and deliver the Guarantee Agreement (or otherwise become a party thereto in the manner provided therein) and (B) become a party to each applicable Security Document in the manner provided therein, in each case within five Business Days after the date on which such Subsidiary is formed or acquired, and (ii) promptly take such actions to create and perfect Liens on such Subsidiary's assets to secure the Obligations as the Agent or the Majority Lenders shall reasonably request and (b) if any equity securities issued by any such Subsidiary are owned or held by or on behalf of the Parent, the Borrower or any Subsidiary or any loans, advances or other debt is owed or owing by any such Subsidiary to the Parent, the Borrower or any Subsidiary, cause such equity securities and promissory notes and other instruments evidencing such loans, advances and other debt to be pledged pursuant to the Security Agreement within five Business Days after the date on which such Subsidiary is formed or acquired.

ARTICLE 7. NEGATIVE COVENANTS.

So long as the Borrower is indebted to the Lenders or the Agent, and until payment in full of the Loans and Acceptances and the termination or expiration of all the L/Cs, and Steamship Guaranties and Airway Releases, and full and complete performance of all of its other obligations arising hereunder, the Borrower shall not and the Parent shall not and shall not permit any of its Subsidiaries to do, agree to do, or permit to be done, any of the following:

Section 7.1 Indebtedness.

Create, incur, permit to exist or have outstanding any Indebtedness, except:

(a) Indebtedness of the Borrower to the Lenders, the Agent, the Collateral Monitoring Agent and the Issuing Bank and other Obligations under this Agreement;

(b) Taxes, assessments and governmental charges, non-interest bearing accounts payable and accrued liabilities, in any case not more than 90 days past due from the original due date thereof, and non-interest bearing deferred liabilities other than for borrowed

money (e.g., deferred compensation and deferred taxes), in each case incurred and continuing in the ordinary course of business;

(c) Indebtedness secured by the security interests referred to in Section 7.2(c) and Capitalized Lease Obligations, in each case incurred only if, after giving effect thereto, the limit on Capital Expenditures set forth in Section 7.13 would not be breached;

(d) Indebtedness of the Borrower under Bank Swap Contracts; provided, that the amount of Indebtedness pursuant to this Section 7.1(d) shall not exceed a notional amount in the aggregate of \$4,000,000 at any time;

(e) As set forth on Exhibit M which shall include, without limitation, with respect to each such item of Indebtedness, its terms, maturity, conditions, the collateral security therefor and the use of the proceeds thereof;

(f) Indebtedness of the Parent, the Borrower or any Subsidiary to the extent permitted under Section 7.9(c); and

(g) Permitted Subordinated Funded Debt in an aggregate principal amount not to exceed \$20,000,000 at any time; provided, however, that after giving effect to each incurrence of such Permitted Subordinated Funded Debt (i) no Default or Event of Default shall exist or result therefrom, (ii) on a pro forma basis the Fixed Charge Coverage Ratio shall be not less than 1.50 to 1.00, and (iii) the net proceeds therefrom are applied in accordance with Section 2.7(e).

#### Section 7.2 Liens.

Create, or assume or permit to exist, any Lien on any of the properties or assets of the Borrower or the Parent or any of its Subsidiaries, whether now owned or hereafter acquired, except:

(a) Those created and granted by the Security Documents;

(b) Permitted Liens;

(c) Purchase money mortgages or security interests, conditional sale arrangements and other similar security interests, on motor vehicles and equipment acquired by the Borrower or the Parent or any Subsidiary (hereinafter referred to individually as a "Purchase Money Security Interest") with the proceeds of the Indebtedness referred to in Section 7.1(c); provided, however, that:

(i) The transaction in which any Purchase Money Security Interest is proposed to be created is not then prohibited by this Agreement;

(ii) Any Purchase Money Security Interest shall attach only to the property or asset acquired in such transaction and shall not extend to or cover any other

assets or properties of the Borrower, the Parent, or, as the case may be, any Subsidiary; and

(iii) The Indebtedness secured or covered by any Purchase Money Security Interest shall not exceed the lesser of the cost or fair market value of the property or asset acquired and shall not be renewed, extended or prepaid from the proceeds of any borrowing by the Borrower, the Parent or any Subsidiary;

(d) The interests of the lessor under any Capitalized Lease permitted hereunder; and

(e) As set forth on Exhibit E.

#### Section 7.3 Guaranties.

Except as set forth on Exhibit M, assume, endorse, be or become liable for, or guarantee, the obligations of any Person, except by the endorsement of

negotiable instruments for deposit or collection in the ordinary course of business; provided, however, that the Parent may guaranty (i) the obligations of Siena and the Borrower in respect of trade accounts payable, Capitalized Lease Obligations and rental obligations permitted to be incurred in accordance with the provisions of Sections 7.1(b), 7.14 and 7.18, respectively and (ii) up to \$500,000 in the aggregate of the obligations of Hong Kong and Global permitted to be incurred in accordance with the terms hereof. For the purposes hereof, the term "guarantee" shall include any agreement, whether such agreement is on a contingency or otherwise, to purchase, repurchase or otherwise acquire Indebtedness of any other Person, or to purchase, sell or lease, as lessee or lessor, property or services, in any such case primarily for the purpose of enabling another person to make payment of Indebtedness, or to make any payment (whether as an advance, capital contribution, purchase of an equity interest or otherwise) to assure a minimum equity, asset base, working capital or other balance sheet or financial condition, in connection with the Indebtedness of another Person, or to supply funds to or in any manner invest in another Person in connection with such Person's Indebtedness.

#### Section 7.4 Mergers; Acquisitions.

(a) Merge or consolidate with any Person (whether or not the Borrower or the Parent or any Subsidiary is the surviving entity), or acquire all or substantially all of the assets or any of the capital stock of any Person, or

(b) Create any new Subsidiary or Affiliate.

#### Section 7.5 Redemptions; Distributions.

(a) Except in connection with existing stock option plans of the Parent, purchase, redeem, retire or otherwise acquire, directly or indirectly, or make any sinking fund payments with respect to, any shares of any class of stock of the Borrower, the Parent or any Subsidiary now or hereafter outstanding or set apart any sum for any such purpose; or

71

(b) Declare or pay any dividends or make any distribution of any kind on the Borrower's or the Parent's outstanding stock, or set aside any sum for any such purpose, except that the Borrower or the Parent may declare or pay any dividend payable solely in shares of its respective common stock; provided, however, that if any such issuance would result in the issuance of fractional shares, the Borrower or the Parent, as the case may be, may pay dividends in cash in the amount of such fractional shares to the holders thereof in lieu of issuing fractional shares to such holders provided that the amount of such cash dividends in the aggregate shall not exceed \$10,000.

#### Section 7.6 Stock Issuance.

Issue any additional shares or any right or option to acquire any shares, or any security convertible into any shares, of the Capital Stock of the Parent or any Subsidiary (including the Borrower), except (a) in connection with stock dividends as permitted under Section 7.5(b), (b) the issuance of any rights or options to acquire any security of the Parent to any director, officer, employee or consultant of the Parent pursuant to the Parent's 1989 Stock Option Plan, as amended, the 1997 Stock Option Plan, as amended and the 1999 Non-Employee Directors' Plan, as amended, or any other similar employee stock option plan or non-employee director's stock option plan established by the Parent after the Closing Date and the issuance of any shares of Capital Stock of the Parent upon the exercise of any such right or option, (c) issuances of Capital Stock of the Parent in connection with any acquisition of assets or capital stock of any Person permitted by Section 7.4 and (d) other issuances of Capital Stock of the Parent, provided that (x) after giving effect to such issuance, no Default or Event of Default exists or would result therefrom and (y) the net proceeds therefrom are applied in accordance with Section 2.7(d).

#### Section 7.7 Changes in Business.

Make any material change in the business conducted by the Borrower, the Parent or its Subsidiaries, as the case may be, or in the nature of its operation, or liquidate or dissolve the Borrower, the Parent or its Subsidiaries (or suffer any liquidation or dissolution), or convey, sell, lease, assign, transfer or otherwise dispose of any of its property, assets or business except in the ordinary course of business and for a fair consideration or dispose of any shares of stock (except by the Parent) or any Indebtedness, whether now



owned or hereafter acquired, or discount, sell, pledge, hypothecate or otherwise dispose of accounts receivable.

#### Section 7.8 Prepayments.

Make any voluntary or optional prepayment of any Indebtedness (other than Indebtedness hereunder to the Lenders) for borrowed money incurred or permitted to exist under the terms hereof.

#### Section 7.9 Investments.

Except as otherwise permitted under this Agreement, make, or suffer to exist, any investment in any Person, including, without limitation, any Subsidiary, any joint venture or any

72

shareholder, director, officer or employee of the Borrower, the Parent or any of the Subsidiaries, except:

(a) Investments in:

(i) obligations issued or guaranteed by the United States of America;

(ii) certificates of deposit, bankers acceptances and other "money market instruments" issued by any bank or trust company organized under the laws of the United States of America or any State thereof and having capital and surplus in an aggregate amount of not less than \$100,000,000;

(iii) open market commercial paper bearing the highest credit rating issued by Standard & Poor's Corporation or by another nationally recognized credit rating agency;

(iv) repurchase agreements entered into with any bank or trust company organized under the laws of the United States of America or any State thereof and having capital and surplus in an aggregate amount of not less than \$100,000,000 relating to United States of America government obligations; and

(v) shares of "money market funds", each having net assets of not less than \$100,000,000;

in each case maturing or being due or payable in full not more than 180 days after the Borrower's, the Parent's or any Subsidiary's acquisition thereof;

(b) Investments in the form of loans to employees of the Borrower, the Parent or any Subsidiary, provided that the outstanding principal amount of all such loans to any one employee shall at no time exceed \$100,000 and that the aggregate outstanding principal amount of all such loans shall at no time exceed \$200,000;

(c) Without duplication, (i) Investments by the Parent or any Subsidiary in the Borrower; (ii) Investments by the Borrower or the Parent in any Subsidiary as in effect as of January 31, 2002 and set forth on Schedule 7.9; (iii) an advance or advances in the ordinary course of business during the term hereof to G-III Brands; (iv) an advance or advances in the ordinary course of business during the term hereof to any Subsidiary (other than G-III Brands) by the Borrower which shall not exceed \$6,000,000 in the aggregate outstanding at any time; and (v) advances to Balihides by the Borrower in an aggregate principal amount not to exceed \$3,477,765.67; provided, that (A) such advances shall be evidenced by one or more promissory notes and such promissory notes shall be pledged to the Agent on terms and conditions satisfactory to the Agent and there shall be no restrictions whatsoever on the ability of Balihides to repay such advance or advances; and (B) in the case of the advance or advances made subsequent to the Closing Date, (I) the proceeds of such advance or advances shall be used by Balihides to repay the entire outstanding balance under a certain line of credit provided by PT Hanil Tamara Bank of Korea to Balihides, (II) such line or credit (or a portion thereof equal to

73

the amount of such prepayment) shall be terminated contemporaneously with such

repayment and (III) such advance or advances shall be evidenced by a promissory note and such promissory note shall be pledged to the Agent on terms and conditions satisfactory to the Agent and there shall be no restrictions whatsoever on the ability of Balihides to repay such advance or advances;

(d) Investments in retail stores existing on the date hereof;

(e) Investments by the Borrower in Bank Swap Contracts to the extent permitted by Section 7.1(d);

(f) Investments in the Qingdao Garments Production Co., Ltd. ("Qingdao") not to exceed \$1,000,000 on a cost basis (excluding the earnings or losses attributed to such investment); provided, that in the event that any amounts advanced for such purpose that are evidenced by one or more promissory notes, that such promissory notes shall be pledged to the Agent on terms and conditions satisfactory to the Agent and there shall be no restriction whatsoever on the ability of Qingdao to repay such amount or amounts; and

(g) Other investments in any factories, ventures or retail stores as in effect on the date hereof as set forth on Schedule 7.9.

#### Section 7.10 Fiscal Year.

Change its fiscal year.

#### Section 7.11 ERISA Obligations.

(a) Be or become obligated (after a final determination) to the PBGC in excess of \$50,000 other than in respect of annual premium payments;

(b) Be or become obligated (after a final determination) to the IRS in excess of \$50,000 with respect to excise or other penalty taxes provided for in Section 4975 of the Code;

(c) Incur a complete withdrawal or partial withdrawal with respect to any Multiemployer Plan if such withdrawal would result in a material adverse change in the business, operations or condition, financial or otherwise, of the Borrower, the Parent or its Subsidiaries; or

(d) Fail to make any contribution or payment to any Multiemployer Plan which the Borrower or the Parent is required to make under any agreement relating to such Multiemployer Plan, or any law pertaining thereto if such failure would result in a material adverse change in the business, operations or condition, financial or otherwise, of the Borrower, the Parent or its Subsidiaries.

#### Section 7.12 Amendments of Documents.

Modify, amend, supplement or terminate, or agree to modify, amend, supplement or terminate, its certificate of incorporation or by-laws.

74

#### Section 7.13 Capital Expenditures.

Make or be or become obligated to make Capital Expenditures for the Parent, Borrower and the Subsidiaries, in an amount in excess of (a) \$1,750,000 in the aggregate during any Fiscal Year during the term hereof and (b) \$800,000 in the aggregate during the Stub Period. Capital Expenditures shall not include expenditures to the extent that such expenditures constitute a reinvestment of proceeds from any asset sale permitted under this Agreement.

#### Section 7.14 Capitalized Lease Obligations.

Make or be or become obligated to make expenditures in respect of Capitalized Lease Obligations in excess of (a) aggregate annual payments of \$750,000 with respect to all Leases entered into during any Fiscal Year during the term hereof, and (b) aggregate payments of \$250,000 with respect to all Leases entered into during the Stub Period; provided, however, that the amounts permitted in (a) and (b) above shall apply only to Leases relating to Capital Expenditures permitted under Section 7.13.

#### Section 7.15 Management Fees.

Pay, or be or become obligated to pay, any Management Fees to any Person, or any interest on any deferred obligation therefor, including, without limitation, to any shareholder, director, officer or employee of the Borrower other than in usual and customary amounts with respect to the services rendered or management supervision provided.

#### Section 7.16 Transactions with Affiliates.

Except as expressly permitted by this Agreement, directly or indirectly: (a) make any investment in an Affiliate; (b) transfer, sell, lease, assign or otherwise dispose of any assets to an Affiliate; (c) merge into or consolidate with or purchase or acquire assets from an Affiliate; (d) enter into any other transaction directly or indirectly with or for the benefit of any Affiliate (including, without limitation, guarantees and assumptions of obligations of an Affiliate); or (e) enter into any agreement providing for above-market prices for goods or services to or from an Affiliate; provided, however, that: (i) payments on investments expressly permitted by Section 7.9 may be made, (ii) any Affiliate who is a natural person may serve as an employee or director of the Borrower or any Subsidiary and receive reasonable compensation for his services in such capacity, and (iii) the Borrower, the Parent or any Subsidiary may enter into any transaction with an Affiliate providing for the leasing of property, the rendering or receipt of services or the purchase or sale of product, inventory and other assets in the ordinary course of business if the monetary or business consideration arising therefrom would be substantially as advantageous to the Borrower, the Parent or a Subsidiary as the monetary or business consideration that it would obtain in a comparable arm's length transaction with a Person not an Affiliate.

75

#### Section 7.17 Activities Leading to Forfeiture Proceeding.

Neither the Borrower nor any of its Subsidiaries or Affiliates shall engage in or propose to be engaged in the conduct of any business or activity which could result in a Forfeiture Proceeding.

#### Section 7.18 Rental Obligations.

Enter into any Lease (other than Capitalized Leases that are governed by Section 7.14), other than Leases which require the Borrower, the Parent or any Subsidiary to pay in the aggregate not in excess of (a) \$750,000 during any Fiscal Year during the term hereof, and (b) \$250,000 during the Stub Period; provided, however, that such limitations shall not apply to the portion of any lease payment due which is determined as a percentage of the revenues of the applicable retail store of the Borrower, the Parent or any Subsidiary.

#### Section 7.19 Retail Stores.

Open any additional retail stores during the period from the date hereof through the Commitment Termination Date; provided, however, that the Borrower may (i) open seasonal, outlet-type stores so long as (A) not more than four (4) such stores are open at any time, (B) the occupancy of each such store shall not exceed five (5) months, (C) the Borrower shall not make any capital expenditures in connection with such stores, and (D) rent payable to the lessors of such stores shall be determined on a "percentage of sales" basis only (i.e., no fixed minimum rent) and the Borrower shall not guarantee to the lessor any minimum sales and (ii) during any Fiscal Year, enter into leases, the aggregate rent payable with respect to which shall not exceed \$150,000 per year, for store space to conduct sample sales.

#### Section 7.20 License Agreements.

Enter into any licensing agreement which would prohibit or limit the Agent's exercise of rights to liquidate Collateral other than license agreements pursuant to which the minimum royalty payable by the Borrower during each of the first three years of the term thereof shall be less than or equal to \$500,000 per year and that otherwise contain terms and conditions satisfactory to the Agent.

#### ARTICLE 8. EVENTS OF DEFAULT.

If any one or more of the following events ("Events of Default") shall occur and be continuing, the Commitments shall terminate and the entire unpaid balance of the principal of and interest on the Notes outstanding and all other

Obligations and Indebtedness of the Borrower to the Lenders, the Collateral Monitoring Agent, the Issuing Bank and the Agent arising hereunder and under the other Loan Documents, shall immediately become due and payable upon written notice to that effect given to the Borrower by the Agent (except that in the case of the occurrence of any Event of Default described in Section 8.6 no such notice shall be required), without presentment or demand for payment, notice of non-payment, protest or further notice or demand of any kind, all of which are expressly waived by the Borrower:

76

#### Section 8.1 Payments.

Failure by the Borrower to (i) make any payment or mandatory prepayment of principal or interest upon any Note when due, (ii) make any payment of any Fee when due, (iii) make any payment arising under any Application, L/C, Acceptance, Steamship Guarantee or Airway Release, (iv) make any required payment under Section 2.7, or (v) make any required payment under Section 2.17, 2.18 and 10.1 and, with respect to clause (v) only, such failure shall continue unremedied for a period of 10 days in the case of Section 2.17 and 2.18 and three (3) days in the case of Section 10.1, in each case after receipt by Borrower of a demand therefor; or

#### Section 8.2 Certain Covenants.

Failure to perform or observe any of the agreements of the Borrower, the Parent or any Subsidiary contained in Section 6.9 or Article 7; or

#### Section 8.3 Other Covenants.

(a) Failure by the Borrower to perform or observe any other term, condition or covenant hereof or of any of the other Loan Documents to which it is a party, which shall remain unremedied for a period of 15 days after the earlier of (i) when the Borrower becomes aware of such failure and (ii) notice thereof shall have been given to the Borrower by the Agent; or

(b) Failure by any Loan Party other than the Borrower to perform or observe any term, condition or covenant of any of the Loan Documents to which it is a party, which shall remain unremedied for a period of 15 days after the earlier of (i) when such Loan Party becomes aware of such failure and (ii) notice thereof shall have been given to the Borrower by the Agent; or

#### Section 8.4 Other Defaults.

(a) Other than the defaults set forth on Exhibit G, failure to perform or observe any term, condition or covenant of any bond, note, debenture, loan agreement, indenture, guaranty, trust agreement, mortgage or similar instrument to which the Borrower, the Parent or any Subsidiary is a party or by which it is bound, or by which any of its properties or assets may be affected (a "Debt Instrument"), so that, as a result of any such failure to perform, the Indebtedness included therein or secured or covered thereby may be declared due and payable prior to the date on which such Indebtedness would otherwise become due and payable; or

(b) Any event or condition referred to in any Debt Instrument shall occur or fail to occur, so that, as a result thereof, the Indebtedness included therein or secured or covered thereby may be declared due and payable prior to the date on which such Indebtedness would otherwise become due and payable; or

(c) Failure to pay any Indebtedness for borrowed money due at final maturity or pursuant to demand under any Debt Instrument;

77

provided, however, that if any creditor or beneficiary under any bond, note, debenture, loan agreement, indenture, guaranty, trust agreement, mortgage or similar instrument shall assert a default (including, without limitation, those set forth on Exhibit G) and shall either (i) declare due and payable the Indebtedness evidenced or secured thereby or (ii) shall commence the exercise of remedies on the basis of such default, such declaration or exercise shall constitute an Event of Default hereunder, upon the happening of which the Lenders may take action notwithstanding Section 10.16; and provided, further, that the provisions of this Section 8.4 shall not be applicable to any Debt

Instrument that on the date this Section 8.4 would otherwise be applicable thereto, relates to or evidences Indebtedness in a principal amount of less than \$50,000; or

#### Section 8.5 Representations and Warranties.

Any representation or warranty made in writing to the Lenders or the Agent in any of the Loan Documents or in connection with the making of the Loans or the issuance of any L/Cs, Acceptances, Steamship Guaranties or Airway Releases, or any certificate, statement or report made or delivered in compliance with this Agreement, shall have been false or misleading in any material respect when made or delivered or deemed made or deemed delivered; or

#### Section 8.6 Bankruptcy.

(a) The Borrower, the Parent or any Subsidiary shall make an assignment for the benefit of creditors, file a petition in bankruptcy, be adjudicated insolvent, petition or apply to any tribunal for the appointment of a receiver, custodian, or any trustee for it or him or a substantial part of its or his assets, or shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or the Borrower, the Parent or any Subsidiary shall take any corporate action to authorize any of the foregoing actions; or there shall have been filed any such petition or application, or any such proceeding shall have been commenced against it or him, that remains unstayed or undismitted for a period of 60 days or more; or any order for relief shall be entered in any such proceeding; or the Borrower, the Parent or any Subsidiary by any act or omission shall indicate its or his consent to, approval of or acquiescence in any such petition, application or proceeding or the appointment of a custodian, receiver or any trustee for it or him or any substantial part of any of its or his properties, or shall suffer any custodianship, receivership or trusteeship to continue unstayed or undischarged for a period of 60 days or more; or

(b) The Borrower, the Parent or any Subsidiary shall generally not pay its or his debts as such debts become due; or

(c) The Borrower, the Parent or any Subsidiary shall have concealed, removed, or permitted to be concealed or removed, any part of its or his property, with intent to hinder, delay or defraud its or his creditors or any of them or made or suffered a transfer of any of its or his property that may be fraudulent under any bankruptcy, fraudulent conveyance or similar law; or shall have made any transfer of its or his property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid; or shall have

78

suffered or permitted, while insolvent, any creditor to obtain a Lien upon any of its or his property through legal proceedings or distraint that is not stayed or vacated within 60 days from the date thereof; or

#### Section 8.7 Judgments.

Any judgment against the Borrower, the Parent or any Subsidiary or any attachment, levy or execution against any of its properties for any amount in excess of \$200,000 in respect of any judgment after deducting from such judgment the amount of any insurance proceeds payable to the judgment debtor with respect thereto, shall remain unpaid, unstayed on appeal, undischarged, unbonded or undismitted for a period of 30 days or more; or

#### Section 8.8 ERISA.

(a) The institution by the PBGC of proceedings for the involuntary termination of any Pension Plan by reason of, or that could result in, an "accumulated funding deficiency" under Section 412 of the Code which would have a material adverse effect on the business, operations or condition, financial or otherwise, of the Borrower, the Parent or its Subsidiaries; or

(b) Failure by the Borrower or the Parent to make required contributions, in accordance with the applicable provisions of ERISA, to each of the Employee Benefit Plans or Plans hereafter established or assumed by it including any Plan which is a Multiemployer Plan, if such failure would result in the imposition of a Lien, which would have a material adverse effect on the

business, financial condition or properties of the Borrower, the Parent and its Subsidiaries, on the assets of the Borrower or the Parent or an ERISA Affiliate or would otherwise have a material adverse effect on the business, financial condition or properties of the Borrower, the Parent and the Subsidiaries, taken as a whole; or

Section 8.9 Ownership of Stock.

Morris and/or Aron Goldfarb (or, in the event of the death of either of them, his estate, legal representative or heirs) shall at any time own, beneficially and of record, less than 33-1/3% in the aggregate of all of the issued and outstanding shares of capital stock of the Parent having ordinary voting rights for the election of directors; or

Section 8.10 Management.

Morris Goldfarb shall cease for any reason whatsoever, including, without limitation, death or disability (as such disability shall be determined in the sole and absolute judgment of the Majority Lenders) to be and continuously perform the duties of chief executive officer of the Borrower or, if such cessation shall occur as a result of the death or such disability, no successor satisfactory to the Agent and the Lenders, in their sole discretion, shall have become and shall have commenced to perform the duties of chief executive officer of the Borrower within 90 days after such cessation; provided, however, that if any satisfactory successor or interim management shall have been so elected and shall have commenced performance of such duties within such

79

period, the name of such successor or successors shall be deemed to have been inserted in place of Morris Goldfarb in this Section 8.10; or

Section 8.11 Liens.

Any of the Liens created and granted to the Agent for the ratable benefit of the Lenders under the Security Documents shall fail to be valid, first, perfected Liens, subject to no prior or equal Lien, except as permitted by Section 7.2; or

Section 8.12 Amount of Obligations.

On the last day of any month, the Obligations exceed the Borrowing Base whether or not such excess is repaid pursuant to Section 2.7(c) at any time; or

Section 8.13 Forfeiture Proceedings.

Any Forfeiture Proceeding shall have been commenced or the Borrower shall have given any Lender written notice of the commencement of any Forfeiture Proceeding as provided in Section 5.11 or any Lender has a good faith basis to believe that a Forfeiture Proceeding has been threatened or commenced.

Section 8.14 Material Adverse Change.

There shall have occurred a material adverse change in the financial condition or business prospects of the Borrower, the Parent and the Subsidiaries, taken as a whole, since the date hereof.

ARTICLE 9. AGENCY PROVISIONS.

Section 9.1 Appointment, Powers and Immunities.

Each Lender hereby irrevocably appoints and authorizes each of the Collateral Monitoring Agent, the Issuing Bank and the Agent to act as its agent hereunder, under the Security Documents and the other Loan Documents with such powers as are specifically delegated to such parties, respectively, by the terms hereof, the Security Documents and the other Loan Documents together with such other powers as are reasonably incidental thereto. Each of the Collateral Monitoring Agent, the Issuing Bank and the Agent shall have no duties or responsibilities except those expressly set forth in this Agreement, the Security Documents and the other Loan Documents and shall be a trustee for any Lender. None of the Collateral Monitoring Agent, the Issuing Bank or the Agent shall be responsible to the Lenders for any recitals, statements, representations or warranties contained in this Agreement, the Security Documents, or the other Loan Documents, in any Application, certificate or other

document referred to or provided for in, or received by any of them under, this Agreement, the Security Documents or the other Loan Documents, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency hereof, the Security Documents or the other Loan Documents or any other document referred to or provided for herein or therein or for the collectibility of the Loans

80

or for the validity, effectiveness or value of any interest or security covered by the Security Documents or for the value of any Collateral or for the validity or effectiveness of any assignment, mortgage, pledge, security agreement, financing statement, document or instrument, or for the filing, recording, re-filing, continuing or re-recording of any thereof or for any failure by the Borrower or any of the other Loan Parties to perform any of its obligations hereunder or under the other Loan Documents. Each of the Collateral Monitoring Agent, the Issuing Bank and the Agent may employ agents and attorneys-in-fact and shall not be answerable, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. None of the Collateral Monitoring Agent, the Issuing Bank or the Agent nor any of their directors, officers, employees or agents shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder, under the Security Documents or the other Loan Documents or in connection herewith or therewith, except for its or their own gross negligence or willful misconduct.

#### Section 9.2 Reliance.

Each of the Collateral Monitoring Agent, the Issuing Bank and the Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper person or persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by them. As to any matters not expressly provided for by this Agreement, the Security Documents or the other Loan Documents, each of the Collateral Monitoring Agent, the Issuing Bank or the Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder, under the Security Documents or the other Loan Documents in accordance with instructions signed by the Majority Lenders, and such instructions of the Majority Lenders and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders.

#### Section 9.3 Events of Default.

Neither the Collateral Monitoring Agent or the Agent shall be deemed to have knowledge of the occurrence of a Default unless the such party has received notice from a Lender or the Borrower specifying such Default and stating that such notice is a "Notice of Default". In the event that either the Agent or the Collateral Monitoring Agent receives such a notice of the occurrence of a Default, the Agent or the Collateral Monitoring shall promptly give notice thereof to the Lenders. The Agent shall (subject to Section 9.7) take such action with respect to such Default as shall be directed by the Majority Lenders.

#### Section 9.4 Rights as a Lender.

Each of the Collateral Monitoring Agent, the Issuing Bank and the Agent in its capacity as a Lender hereunder, shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as an agent hereunder, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include each of the Collateral Monitoring Agent, the Issuing Bank and the Agent in its individual capacity. Each of the Collateral Monitoring Agent, the Issuing Bank and Agent and their Affiliates may (without

81

having to account therefor to any Lender) accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with the Borrower or its Affiliates, as if it were not acting as an agent of the Lenders hereunder, and may accept fees from the Borrower or its Affiliates, for services in connection with this Agreement, the Security Documents or any of the other Loan Documents or otherwise without having to account for the same to the Lenders; provided, however, that each of the Collateral Monitoring Agent,

Issuing Bank and the Agent will not accept more than its Lender's Share of any fee paid by the Borrower to the Lenders or to the Agent for the account of the Lenders in connection with this Agreement.

#### Section 9.5 Indemnification.

The Lenders shall indemnify each of the Collateral Monitoring Agent, the Issuing Bank and the Agent (to the extent not reimbursed by the Borrower under Sections 10.1 and 10.2), ratably in accordance with their respective Commitments, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against any of the Collateral Monitoring Agent, the Issuing Bank or the Agent in any way relating to or arising out of this Agreement, the Security Documents or any of the other Loan Documents or any other documents contemplated by or referred to herein or therein or the transactions contemplated by or referred to herein or therein or the transactions contemplated hereby and thereby (including, without limitation, the costs and expenses that the Borrower is obligated to pay under Sections 10.1 and 10.2, but excluding normal administrative costs and expenses incident to the performance of their agency duties hereunder or under the Security Documents unless a default by the Borrower with respect to the payment thereof has occurred and is continuing) or the enforcement of any of the terms hereof or of the Security Documents, or of any such other documents, provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified.

#### Section 9.6 Non-Reliance.

Each Lender agrees that it has, independently and without reliance on the Collateral Monitoring Agent, the Issuing Bank or the Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Borrower and decision to enter into this Agreement and that it will, independently and without reliance upon the Collateral Monitoring Agent, the Issuing Bank or the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement, the Security Documents or the other Loan Documents. None of the Collateral Monitoring Agent, the Issuing Bank or the Agent shall be required to keep itself informed as to the performance or observance by the Borrower of this Agreement, the Security Documents or the other Loan Documents or any other document referred to or provided for herein or therein or to inspect the properties or books of the Borrower. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Collateral Monitoring Agent, the Issuing Bank or the Agent hereunder or under the Security Documents, or the other Loan Documents, none of the Collateral Monitoring Agent, the Issuing Bank or the

82

Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of the Borrower, that may come into the possession of the Collateral Monitoring Agent, the Issuing Bank or the Agent or any of its Affiliates.

#### Section 9.7 Failure to Act.

Except for action expressly required of the Collateral Monitoring Agent, the Issuing Bank or the Agent hereunder, or under the Security Documents, each of the Collateral Monitoring Agent, the Issuing Bank or the Agent shall in all cases be fully justified in failing or refusing to act hereunder or thereunder unless it shall be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action.

#### Section 9.8 Resignation or Removal.

Subject to the appointment and acceptance of a successor as provided below, each of the Collateral Monitoring Agent, the Issuing Bank or the Agent (i) may resign at any time by giving not less than 10 days' prior written notice thereof to the Lenders and the Borrower and (ii) may be removed at any time with or without cause by the Majority Lenders. Upon any such resignation or removal, the Majority Lenders shall have the right to appoint a successor. If no successor Collateral Monitoring Agent, Issuing Bank or Agent shall have been so appointed



by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring party's giving of notice of resignation or the Majority Lenders' removal of the retiring party, then the retiring Collateral Monitoring Agent, the Issuing Bank or Agent, as the case may be, may, on behalf of the Lenders, after consultation with the Borrower, appoint a successor which shall be one of the Lenders. Upon the acceptance of any appointment as successor hereunder or under the Security Documents, such successor Collateral Monitoring Agent, Issuing Bank or Agent, as the case may be, shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring party, and the retiring party shall be discharged from its duties and obligations hereunder and under the Security Documents. After any retiring party's resignation or removal hereunder as Collateral Monitoring Agent, Issuing Bank or Agent, as the case may be, the provisions of this Article 9 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Collateral Monitoring Agent, the Issuing Bank or Agent hereunder.

#### Section 9.9 Sharing of Collateral and Payments.

Upon or following any acceleration by the Agent and the Lenders of the Obligations, and following the purchase by each Lender of its proportional share of the Obligations pursuant to Section 2.16(b), in the event that any Lender shall obtain payment in respect of any such Obligation, or interest thereon, or receive any Collateral or proceeds thereof with respect to any such Obligation, whether voluntarily or involuntarily, and whether through the exercise of a right of banker's lien, set-off or counterclaim against the Borrower or any other Loan Party or otherwise, in a greater proportion than any such payment obtained by any other Lender in respect of the aggregate amount of the corresponding Obligation held by such Lender, then the Lender

83

so receiving such greater proportionate payment or such greater proportionate amount of Collateral, shall purchase for cash from the other Lender or Lenders such portion of each such other Lender's or Lenders' Loan, or shall provide the other Lenders with the benefits of any such Collateral, or the proceeds thereof, as shall be necessary to cause such Lender receiving the proportionate overpayment to share the excess payment or benefits of such Collateral or proceeds ratably with each Lender. For the purposes of this Section, payments on Obligations received by each Lender and receipt of Collateral by each Lender shall be in the same proportion as the proportion of: (A) the Obligations owing to such Lender in respect of the Obligations held by such Lender to (B) the Obligations owing to all of the Lenders in respect of all of the Obligations; provided, however, that, with respect to the foregoing, if all or any portion of such excess payment or benefits is thereafter recovered from the Lender that received the proportionate overpayment, such purchase of Obligations or payment of benefits, as the case may be, shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

#### Section 9.10 Additional Provisions as to the Collateral Monitoring Agent.

(a) The Collateral Monitoring Agent shall prepare and submit to the Lenders, monthly on or before the 20th day of the following month, reports as to:

- (i) a summary of projected Availability vs actual Availability (including a calculation of the Borrowing Base amount);
- (ii) an accounts receivable aging analysis;
- (iii) an accounts receivable concentration summary;
- (iv) ineligible calculations for both Accounts and Inventory; and
- (v) accounts receivable statistics (including sales, turnover and dilution) on both a monthly and cumulative basis.

(b) Whenever the Collateral Monitoring Agent conducts a field examination, the Collateral Monitoring Agent will deliver to the Lenders a report prepared by the Collateral Monitoring Agent as to the results of such field examination as promptly as possible, but in any event no later than 30 days following the Collateral Monitoring Agent's receipt of the field examination reports. The Collateral Monitoring Agent agrees to conduct, at the

Borrower's expense: (i) at least three (3) field examinations of the Borrower's Accounts per annum during the term hereof, and (ii) at the Collateral Monitoring Agent's discretion, field examinations of the Borrower's Inventory, provided that the Collateral Monitoring Agent shall conduct at least two (2) such examinations of Inventory per annum during the term hereof. Upon reasonable advance request of the Collateral Monitoring Agent, the Lenders shall have the right to examine at the Collateral Monitoring Agent's offices, or to request copies (prepared at the requesting Lender's cost) of, all field reports, resulting correspondence with the Borrower and other work product relating to such field examination. The Collateral Monitoring Agent agrees to respond

84

to, and to refer to the Borrower when appropriate and then to respond to, reasonable inquiries made by the Lenders arising with respect to field examinations or reports.

(c) The Collateral Monitoring Agent may include Inventory labeled as "Season X" in Eligible Inventory if the Borrower establishes to the satisfaction of the Collateral Monitoring Agent that existing orders for such Inventory exceed such Inventory currently on hand; provided, however, that prior to including such Inventory in Eligible Inventory (x) the Collateral Monitoring Agent has given the Lenders at least 24 hours notice that the Agent intends to include such Inventory in Eligible Inventory, and (y) the Collateral Monitoring Agent has not been notified of objections by the Lenders to the inclusion of such Inventory in Eligible Inventory within the 24-hour period following the giving of such notice.

(d) Without limiting the generality of any other provision hereof, the Collateral Monitoring Agent shall specifically not have authority to:

(i) increase or decrease the percentages of Eligible Accounts or Eligible Inventory to be included in the Borrowing Base, other than by adjustment of the reserves provided for in the definition of "Borrowing Base"; provided, however, that the Collateral Monitoring Agent may establish additional reserves if (x) the Collateral Monitoring Agent has given the Lenders at least 24 hours notice that the Agent intends to establish such additional reserves and (y) the Collateral Monitoring Agent has not been notified of objections by the Lenders to the establishing of such additional reserves within the 24-hour period following the giving of such notice; and provided, further, that once an additional reserve has been established the Collateral Monitoring Agent may adjust that reserve in its discretion.

(ii) release Collateral;

(iii) waive any violation or default under this Agreement, the Security Documents, the Loan Documents or otherwise on behalf of the Lenders; or

(iv) modify the amount of any Fees or interest payable pursuant to this Loan Agreement.

#### ARTICLE 10. MISCELLANEOUS PROVISIONS.

##### Section 10.1 Fees and Expenses; Indemnity.

The Borrower will promptly (and in any event within 30 days after its receipt of an invoice or statement therefor) pay all costs of the Collateral Monitoring Agent, the Issuing Bank, the Agent and each of the Lenders in preparing the Loan Documents and all costs and expenses of the Collateral Monitoring Agent and the Lenders of the issuance of the Notes, L/Cs, Applications, Acceptances, Steamship Guaranties and Airway Releases and of the Borrower's and the other Loan Parties' performance of and compliance with all agreements and conditions contained herein on its part to be performed or complied with (including, without limitation, all costs of filing or recording any assignments, mortgages, financing statements and other

85

documents except any such costs incurred in connection with an assignment or participation pursuant to Section 10.13), and the reasonable fees and expenses and disbursements of counsel to the Collateral Monitoring Agent, the Issuing Bank, the Agent and the Lenders in connection with the preparation, execution

and delivery, administration, interpretation and enforcement hereof, the other Loan Documents, the L/Cs, Applications, Acceptances, Steamship Guaranties and Airway Releases and all other agreements, instruments and documents relating to this transaction, the consummation of the transactions contemplated by all such documents, the preservation of all rights of the Lenders and the Collateral Monitoring Agent, the Issuing Bank, and the Agent the negotiation, preparation, execution and delivery of any amendment, modification or supplement of or to, or any consent or waiver under, any such document (or any such instrument that is proposed but not executed and delivered) and with any claim or action threatened, made or brought against any of the Lenders or the Collateral Monitoring Agent, the Issuing Bank and the Agent arising out of or relating to any extent to this Agreement, the other Loan Documents or the transactions contemplated hereby or thereby and including, without limitation, the allocated costs of internal counsel to the Lenders with respect to the amending and restating of the Original Loan Agreement. In addition, the Borrower will promptly pay all costs and expenses (including, without limitation, reasonable fees, costs and disbursements of counsel) suffered or incurred by each Lender in connection with its enforcement hereof, the Loan Documents and the Notes held by it, the L/Cs, Applications, Acceptances, Steamship Guaranties and Airway Releases or any other sum due to it under this Agreement or any of the other Loan Documents or any of its other rights hereunder or thereunder. In addition to the foregoing, the Borrower shall indemnify each Lender and the Collateral Monitoring Agent, the Issuing Bank and the Agent and each of their respective directors, officers, employees, attorneys, agents and Affiliates against, and hold each of them harmless from, any loss, liabilities, damages, claims, costs and expenses (including reasonable attorneys' fees and disbursements, including cost allocated by in-house counsel to any Lender) suffered or incurred by any of them arising out of, resulting from or in any manner connected with, the execution, delivery and performance of this Agreement and each of the other Loan Documents, the Loans and any and all transactions related to or consummated in connection with the Loans, L/Cs, Applications, Acceptances, Steamship Guaranties and Airway Releases, including, without limitation, losses, liabilities, damages, claims, costs and expenses suffered or incurred by any Lender or the Collateral Monitoring Agent, the Issuing Bank and the Agent or any of their respective directors, officers, employees, attorneys, agents or Affiliates arising out of or related to any Environmental Matter, Environmental Liability or Environmental Proceeding, or in investigating, preparing for, defending against, or providing evidence, producing documents or taking any other action in respect of any commenced or threatened litigation, administrative proceeding or investigation under any federal securities law or any other statute of any jurisdiction, or any regulation, or at common law or otherwise. The indemnity set forth herein shall be in addition to any other obligations or liabilities of the Borrower to the Agent and the Lenders hereunder or at common law or otherwise. The provisions of this Section 10.1 shall survive the payment of the Notes, L/Cs, Acceptances, Steamship Guaranties and Airway Releases and the termination hereof.

86

#### Section 10.2 Taxes.

If, under any law in effect on the date of the closing of any Loan hereunder, or under any retroactive provision of any law subsequently enacted, it shall be determined that any federal, state or local tax is payable in respect of the issuance of any Note, L/C, Acceptance, Steamship Guarantee and Airway Release, or in connection with the filing or recording of any assignments, mortgages, financing statements, or other documents (whether measured by the amount of Indebtedness secured or otherwise) as contemplated by this Agreement, then the Borrower will pay any such tax and all interest and penalties, if any, and will indemnify the Lenders and the Collateral Monitoring Agent, the Issuing Bank and the Agent against and save each of them harmless from any loss or damage resulting from or arising out of the nonpayment or delay in payment of any such tax. If any such tax or taxes shall be assessed or levied against any Lender or any other holder of a Note, or issuer of an L/C, Acceptance, Steamship Guarantee or Airway Release, such Lender, or such other holder or issuer, as the case may be, may notify the Borrower and make immediate payment thereof, together with interest or penalties in connection therewith, and shall thereupon be entitled to and shall receive immediate reimbursement therefor from the Borrower. Notwithstanding any other provision contained in this Agreement, the covenants and agreements of the Borrower in this Section 10.2 shall survive payment of the Notes, L/Cs, Acceptances, Steamship Guaranties and Airway Releases and the termination hereof.

#### Section 10.3 Payments.

As set forth in Article 2, all payments by the Borrower on account of principal, interest, Fees and other charges (including any indemnities) shall be made to the Collateral Monitoring Agent at its Payment Office, in lawful money of the United States of America in immediately available funds, by wire transfer or otherwise, not later than 1:00 p.m. New York City time on the date such payment is due. Any such payment made on such date but after such time shall, if the amount paid bears interest, be deemed to have been made on, and interest shall continue to accrue and be payable thereon until, the next succeeding Business Day. If any payment of principal or interest becomes due on a day other than a Business Day, such payment may be made on the next succeeding Business Day and such extension shall be included in computing interest in connection with such payment. All payments hereunder and under the Notes, L/Cs, Acceptances, Steamship Guaranties and Airway Releases shall be made without set-off or counterclaim and in such amounts as may be necessary in order that all such payments shall not be less than the amounts otherwise specified to be paid under this Agreement and the Notes, L/Cs, Acceptances, Steamship Guaranties and Airway Releases (after withholding for or on account of: (i) any present or future taxes, levies, imposts, duties or other similar charges of whatever nature imposed by any government or any political subdivision or taxing authority thereof, other than any tax (except those referred to in clause (ii) below) on or measured by the net income of the Lender to which any such payment is due pursuant to applicable federal, state and local income tax laws, and (ii) deduction of amounts equal to the taxes on or measured by the net income of such Lender payable by such Lender with respect to the amount by which the payments required to be made under this sentence exceed the amounts otherwise specified to be paid in this Agreement and the Notes, L/Cs, Acceptances, Steamship Guaranties and Airway

87

Releases). Upon payment in full of any Note, the Lender holding such Note shall mark the Note "Paid" and return it to the Borrower.

#### Section 10.4 Survival of Agreements and Representations.

All agreements, representations and warranties made herein shall survive the delivery hereof, the Notes and any other instruments evidencing Obligations.

#### Section 10.5 Lien on and Set-off of Deposits.

As security for the due payment and performance of all the Obligations, the Borrower hereby grants to Agent for the ratable benefit of the Lenders a Lien on any and all deposits or other sums at any time credited by or due from the Agent or any Lender to the Borrower, whether in regular or special depository accounts or otherwise, and any and all monies, securities and other property of the Borrower, and the proceeds thereof, now or hereafter held or received by or in transit to any Lender, the Collateral Monitoring Agent, the Issuing Bank or the Agent from or for the Borrower, whether for safekeeping, custody, pledge, transmission, collection or otherwise, and any such deposits, sums, monies, securities and other property, may at any time after the occurrence and during the continuance of any Event of Default be set-off, appropriated and applied by any Lender or the Agent against any of the Obligations, whether or not any of such Obligations is then due or is secured by any collateral, or, if it is so secured, whether or not the collateral held by the Agent is considered to be adequate, all as set forth in and pursuant to Section 2.16.

#### Section 10.6 Modifications, Consents and Waivers; Entire Agreement.

No modification, amendment or waiver of or with respect to any provision hereof, any Notes, the Security Documents, or any of the other Loan Documents and all other agreements, instruments and documents delivered pursuant hereto or thereto, nor consent to any departure by the Borrower from any of the terms or conditions thereof, shall in any event be effective unless it shall be in writing and signed by the Agent and each Lender and the Borrower except that: (i) any modification or amendment of, or waiver or consent with respect to, Article 4 may be signed only by the Agent and the Majority Lenders and the Borrower (provided, however, that the consummation of a transaction by a Lender shall be deemed, with respect to such Loan only, to have the effect of the execution by such Lender of a waiver of, or consent to a departure from, any term or provision of Article 4 that has not been satisfied as of the date of the consummation of such transaction); and (ii) any modification or amendment of, or waiver or consent with respect to, Articles 1, 5, 6, 7, 8 and 10 (other than

this Section 10.6) may be signed only by the Agent and the Majority Lenders and the Borrower; provided further, however, no such modification or amendment of any of the following definitions appearing in Article 1 shall be effective without the written consent of the Agent, each of the Lenders and the Borrower: "Borrowing Base", "Borrowing Base Maximum", "Direct Debt Sublimit", "Eligible Account", "Eligible Inventory", "Majority Lenders" or "Overadvance". Any such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No consent to or demand on the Borrower in any case shall, of itself, entitle it to any other or further notice or demand in similar or other circumstances. This Agreement and the other Loan Documents

88

embody the entire agreement and understanding among the Lenders, the Collateral Monitoring Agent, the Issuing Bank, the Agent and the Borrower and supersede all prior agreements and understandings relating to the subject matter hereof.

#### Section 10.7 Remedies Cumulative.

Each and every right granted to the Collateral Monitoring Agent, the Issuing Bank, the Agent and the Lenders hereunder or under any other document delivered hereunder or in connection herewith, or allowed it by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of the Collateral Monitoring Agent, the Issuing Bank, the Agent or any Lender or the holder of any Note or the issuer of any L/C, Acceptance, Steamship Guarantee or Airway Release to exercise, and no delay in exercising, any right shall operate as a waiver thereof, nor shall any single or partial exercise of any right preclude any other or future exercise thereof or the exercise of any other right. The due payment and performance of the Obligations shall be without regard to any counterclaim, right of offset or any other claim whatsoever that the Borrower may have against any Lender, the Collateral Monitoring Agent, the Issuing Bank or the Agent and without regard to any other obligation of any nature whatsoever that any Lender, the Collateral Monitoring Agent, the Issuing Bank or the Agent may have to the Borrower, and no such counterclaim or offset shall be asserted by the Borrower in any action, suit or proceeding instituted by any Lender, the Collateral Monitoring Agent, the Issuing Bank or the Agent for payment or performance of the Obligations or otherwise.

#### Section 10.8 Further Assurances.

At any time and from time to time, upon the request of the Agent, the Borrower shall execute, deliver and acknowledge or cause to be executed, delivered and acknowledged, such further documents and instruments and do such other acts and things as the Agent may reasonably request in order to fully effect the purposes hereof, the other Loan Documents and any other agreements, instruments and documents delivered pursuant hereto or in connection with the Loans, including, without limitation, the execution and delivery to the Agent of mortgages in form and substance reasonably satisfactory to the Agent and the Lenders covering all real property or interests therein acquired by the Borrower, and all leases of real property entered into by the Borrower as tenant or lessee, after the date hereof, promptly after such acquisition or the entering into of any such lease.

#### Section 10.9 Notices.

All notices, requests, reports and other communications pursuant to this Agreement shall be in writing, either by letter (delivered by hand or commercial messenger service or sent by certified mail, return receipt requested, except for routine reports delivered in compliance with Article 5 which may be sent by ordinary first-class mail) or telegram or telecopy, addressed as follows:

89

(a) If to the Borrower or any other Loan Party:

G-III Leather Fashions, Inc.  
512 Seventh Avenue  
New York, New York 10018  
Attention: Wayne S. Miller,  
Senior Vice President,  
Treasurer and Secretary  
Telecopier No.: (212) 719-0921

with a copy to:

Fulbright & Jaworski L.L.P.  
666 Fifth Avenue  
New York, New York 10103  
Attention: Neil Gold, Esq.  
Telecopier No.: (212) 318-3400

(b) If to any Lender:

To its address set forth below its name on the signature pages hereof, with a copy to the Agent; and

(c) If to the Collateral Monitoring Agent:

Fleet Capital Corporation  
570 Walnut Avenue  
Cranford, New Jersey 07016  
Attention: Laura Eichhorn,  
Vice President  
Telecopier No.: (908) 709-6352

(d) If to the Issuing Bank:

Fleet National Bank  
1185 Avenue of the Americas  
New York, New York 10036  
Attention: Stephen Leavenworth,  
Vice President  
Telecopier No.: (212) 819-4105

90

(e) If to the Agent:

Fleet National Bank  
1185 Avenue of the Americas  
New York, New York 10036  
Attention: Stephen Leavenworth,  
Vice President  
Telecopier No.: (212) 819-4105

with a copy (with respect to notices, requests, reports and other communications to the Collateral Monitoring Agent, the Issuing Bank or the Agent other than in the case of Borrowing Notices and reports and other documents delivered in compliance with Article 5), to:

Emmet, Marvin & Martin, LLP  
120 Broadway  
New York, New York 10271  
Attention: Richard S. Talesnick  
Telecopier No.: (212) 238-3100

Any notice, request or communication hereunder shall be deemed to have been given on the day on which it is telecopied to such party at the telecopier number specified above or delivered by hand or such commercial messenger service to such party at its address specified above, or, if sent by mail, on the third Business Day after the day deposited in the mail, postage prepaid, or in the case of telegraphic notice, when delivered to the telegraph company, addressed as aforesaid. Any party may change the person, address or telecopier number to whom or which notices are to be given hereunder, by notice duly given hereunder; provided, however, that any such notice shall be deemed to have been given hereunder only when actually received by the party to which it is addressed.

#### Section 10.10 Counterparts.

This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

#### Section 10.11 Severability.

The provisions of this Agreement are severable, and if any clause or provision hereof shall be held invalid or unenforceable in whole or in part in

any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision in this Agreement in any jurisdiction. Each of the covenants, agreements and conditions contained in this Agreement is independent and compliance by the Borrower with any of them shall not excuse non-compliance by the Borrower with any other. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be

91

otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

Section 10.12 Binding Effect; No Assignment or Delegation by Borrower.

This Agreement shall be binding upon and inure to the benefit of the Borrower and its successors and to the benefit of the Lenders, the Collateral Monitoring Agent, the Issuing Bank and the Agent and their respective successors and assigns. The rights and obligations of the Borrower under this Agreement shall not be assigned or delegated without the prior written consent of the Agent, the Collateral Monitoring Agent, the Issuing Bank and the Lenders, and any purported assignment or delegation without such consent shall be void.

Section 10.13 Assignments and Participation by Lenders; Issuance of L/Cs by Lender Affiliates.

(a) Each Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Loans owing to it or the other Obligations or L/Cs issued by it, amounts outstanding in respect of Obligations, and the Note or Notes held by it); provided, however, that (i) each such assignment shall be of a uniform, and not a varying, percentage of the assigned rights and obligations, (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 (unless such lesser amount is equal to the assigning Lender's then outstanding Commitment) in the aggregate and provided that in the event of concurrent assignments to two or more Related Funds, all such concurrent assignments (which in any event shall not be less than \$2,500,000) shall be aggregated in determining compliance with this requirement, and (iii) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note or Notes subject to such assignment and a processing and recordation fee of \$3,500; provided, however, that no such fee shall be payable in the case of an assignment to a Related Fund. For purposes of this Section, "Related Fund" shall mean, with respect to any Bank which is a fund that invests in loans, any other fund that invests in loans and is controlled by the same investment advisor as such Bank or by any affiliate that is controlled by such investment advisor.

(b) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (i) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an

92

Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(c) By executing and delivering an Assignment and Acceptance, the

Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any other Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, this Agreement or any other Loan Document or any other instrument or document furnished pursuant hereto or thereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under any Loan Document or any other instrument or document furnished pursuant thereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Agent shall maintain at its address referred to in Section 10.9 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Obligations owing to or L/Cs issued by, each Lender from time to time (the "Register"). No such Assignment and Acceptance shall be effective unless and until it is recorded in the Register. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent, the Collateral Monitoring Agent, the Issuing Bank and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Note, Application or other instrument evidencing an Obligation subject to such assignment and the appropriate processing and reconciliation fee, the Agent shall, if such Assignment and

Acceptance has been completed and is in substantially the form of Exhibit N: (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. In the case of any assignment by a Lender, within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Agent in exchange for the surrendered Note, Application or other instrument evidencing an Obligation a new such instrument to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a portion of its Commitment hereunder, a new such instrument to the order of the assigning Lender in an amount equal to the Lender's Commitment retained by it hereunder. Such new instrument shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered instrument, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit N.

(f) (i) Each Lender may sell participations to one or more Persons (other than the Borrower or any of its Affiliates) in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Lender's Commitment, the Loans owing to it, amounts outstanding in respect of outstanding Obligations, and the Note held by it) at any time and from time to time and without the consent of the Borrower; and



(ii) Fleet may arrange for the issuance of L/Cs which it is obligated to issue hereunder by an Affiliate of such Lender;

provided, however, that: (v) such Lender's obligations under this Agreement (including, without limitation, its Lender's Commitment hereunder) shall remain unchanged, (w) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (x) such Lender shall remain the holder of any such Note and the issuer of the L/C or other Obligation in respect of Direct Debt (whenever issued) for all purposes of this Agreement, (y) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (z) no participant under any such participation shall have any right to approve any amendment, waiver or other modification of any provision of this Agreement or any other Loan Document, or any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver, modification or consent would reduce the principal of, or interest on, the Note or other Obligation in respect of Direct Debt or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, postpone any date fixed for any payment of principal of, or interest on, the Note, Obligation in respect of Direct Debt or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(g) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.13, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve

94

the confidentiality of any confidential information relating to the Borrower received by it from such Lender.

(h) Any Lender may at any time grant, pledge or assign a security interest in all or any portion of the Loans owing to it and the Note held by it to secure obligations of such Lender, including any pledge or assignment to secure obligations in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System, and this Section 10.13 shall not apply to any such pledge or assignment of a security interest, provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(i) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Bank") may grant to a special purpose funding vehicle (a "SPC"), identified as such in writing from time to time by the Granting Bank to the Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Bank would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Bank shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Loan were made by such Granting Bank. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 10.13(i), any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Bank or to any financial institutions (consented to by the Borrower and Agent) providing liquidity or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its

Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This Section 10.13(i) may not be amended without the written consent of each Granting Bank, all or any of whose Loans are being funded by an SPC at the time of such amendment. It is understood and acknowledged that the Granting Bank shall for all purposes, including, without limitation, the approval of any amendment or waiver of any provision of any Loan Document or the obligation to pay any amount otherwise payable by the Granting Bank under the Loan Documents, continue to be the Lender of record hereunder.

95

Section 10.14 GOVERNING LAW; CONSENT TO JURISDICTION; WAIVER OF TRIAL BY JURY.

(a) THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND ALL OTHER DOCUMENTS AND INSTRUMENTS EXECUTED AND DELIVERED IN CONNECTION HERewith AND THEREwith, SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ITS RULES PERTAINING TO CONFLICTS OF LAWS.

(b) THE BORROWER IRREVOCABLY CONSENTS THAT ANY LEGAL ACTION OR PROCEEDING AGAINST IT UNDER, ARISING OUT OF OR IN ANY MANNER RELATING TO THIS AGREEMENT, AND EACH OTHER LOAN DOCUMENT MAY BE BROUGHT IN ANY COURT OF THE STATE OF NEW YORK, COUNTY OF NEW YORK, OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. THE BORROWER BY THE EXECUTION AND DELIVERY OF THIS AGREEMENT, EXPRESSLY AND IRREVOCABLY ASSENTS AND SUBMITS TO THE PERSONAL JURISDICTION OF ANY OF SUCH COURTS IN ANY SUCH ACTION OR PROCEEDING. THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF ANY COMPLAINT, SUMMONS, NOTICE OR OTHER PROCESS RELATING TO ANY SUCH ACTION OR PROCEEDING BY DELIVERY THEREOF TO IT BY HAND OR BY MAIL IN THE MANNER PROVIDED FOR IN SECTION 10.9. THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES ANY CLAIM OR DEFENSE IN ANY SUCH ACTION OR PROCEEDING BASED ON ANY ALLEGED LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS OR ANY SIMILAR BASIS. THE BORROWER SHALL NOT BE ENTITLED IN ANY SUCH ACTION OR PROCEEDING TO ASSERT ANY DEFENSE GIVEN OR ALLOWED UNDER THE LAWS OF ANY STATE OTHER THAN THE STATE OF NEW YORK UNLESS SUCH DEFENSE IS ALSO GIVEN OR ALLOWED BY THE LAWS OF THE STATE OF NEW YORK. NOTHING IN THIS SECTION 10.14 SHALL AFFECT OR IMPAIR IN ANY MANNER OR TO ANY EXTENT THE RIGHT OF ANY LENDER TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE BORROWER IN ANY JURISDICTION OR TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW.

(c) EACH OF THE BORROWER, THE AGENT, THE COLLATERAL MONITORING AGENT, THE ISSUING BANK AND THE LENDERS MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, ANY NOTE OR ANY OTHER LOAN DOCUMENT EXECUTED OR TO BE EXECUTED IN CONNECTION HERewith OR ANY COURSE OF CONDUCT,

96

COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY, INCLUDING, WITHOUT LIMITATION, ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS OR ACTIONS OF THE AGENT, THE COLLATERAL MONITORING AGENT, THE ISSUING BANK OR THE LENDERS RELATING TO THE ADMINISTRATION OF THE LOANS OR THE OTHER OBLIGATIONS, OR ENFORCEMENT OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS, AND AGREES THAT NO PARTY WILL SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. EXCEPT AS PROHIBITED BY LAW, THE BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. THE BORROWER CERTIFIES THAT NO REPRESENTATIVE, AGENT, OR ATTORNEY OF THE AGENT, THE COLLATERAL MONITORING AGENT, THE ISSUING BANK OR ANY LENDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE AGENT, THE COLLATERAL MONITORING AGENT, THE ISSUING BANK OR ANY LENDER WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR THE AGENT, THE COLLATERAL MONITORING AGENT, THE ISSUING BANK AND THE LENDERS TO ENTER INTO THIS AGREEMENT AND MAKE LOANS, ISSUE L/CS AND MAKE AVAILABLE STEAMSHIP GUARANTIES, AIRWAY RELEASES AND ACCEPTANCES.

Section 10.15 Limitation on Interest.

All agreements between the Borrower, the Agent, the Collateral Monitoring

Agent, the Issuing Bank and the Lenders are hereby limited so that in no contingency or event whatsoever, whether by reason of acceleration of the Loans and the other Obligations of the Borrower to the Agent, the Collateral Monitoring Agent, the Issuing Bank or the Lenders hereunder or under the Notes or otherwise, shall the amount paid or agreed to be paid to the Agent, the Collateral Monitoring Agent, the Issuing Bank or the Lenders for the use or the forbearance of the Loans or such other Obligations exceed the maximum permissible under applicable law. As used herein, "applicable law" shall mean the law in effect as of the date hereof; provided, however, that in the event there is a change in law which results in a higher permissible rate of interest, then this Agreement and the Notes shall be governed by such new law as of its effective date. In this regard, it is expressly agreed that it is the intent of the parties hereto in the execution, delivery and acceptance of this Agreement and the Notes to contract in strict compliance with the laws of New York State from time to time in effect. If, under or from any circumstances whatsoever, fulfillment of any provision hereof or of any of the other Loan Document at the time of performance of such provision shall be due, shall involve transcending the limit of such validity prescribed by applicable law, then the obligation to be fulfilled shall automatically be reduced to the limits of such validity, and if under or from circumstances whatsoever the Lenders should ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the principal balance evidenced by the Notes and not to the payment of interest. This provision shall control every

97

other provision of all agreements between Borrower, the Agent, the Collateral Monitoring Agent, the Issuing Bank and the Lenders.

Section 10.16 Additional Agreements by Borrower and Loan Parties.

Each of the Borrower and the Loan Parties agrees that in the event that the Borrower or any Loan Party is the subject of any insolvency, bankruptcy, receivership, dissolution, reorganization or similar proceeding, federal or state, voluntary or involuntary, under any present or future law or act, the Collateral Monitoring Agent, the Issuing Bank, the Agent and the Lenders shall be entitled to the automatic and absolute lifting of any automatic stay as to the enforcement of their rights and remedies under this Agreement and the Security Documents, including specifically, but not limited to the stay imposed by Section 362 of the United States Bankruptcy Code, as amended, and each of the Borrower and the Loan Parties hereby consents to the immediate lifting of any such automatic stay, and will not contest any motion by the Collateral Monitoring Agent, the Issuing Bank, the Agent or the Lenders to lift such stay.

Section 10.17 Release by Borrower and Loan Parties.

Each of the Borrower and the Loan Parties agrees that the Borrower and the Loan Parties on behalf of themselves and their respective Subsidiaries, Affiliates, successors and assigns hereby release and forever discharge the Collateral Monitoring Agent, the Issuing Bank, the Agent and the Lenders, their respective parents, subsidiaries and affiliates, and the officers, directors, employees, agents and attorneys of each of them from any and all liability, actions, claims, causes of action, suits, debts, damages, executions and demands whatsoever, in law or in equity which the Borrower or the Loan Parties or any of their respective Subsidiaries, Affiliates, successors or assigns might have, arising out of, based upon, in connection with or otherwise relating to any matter whatsoever, including without limitation, the Obligations, from the beginning of time to the date hereof.

[Signature pages follow.]

98

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

G-III LEATHER FASHIONS, INC.

By: /s/ Wayne S. Miller

-----  
Senior Vice President

Agreed:

G-III HONG KONG LTD.

By: /s/ Wayne S. Miller  
-----  
Director

G-III APPAREL GROUP, LTD.

By: /s/ Wayne S. Miller  
-----  
Senior Vice President

SIENA LEATHER LTD.

By: /s/ Wayne S. Miller  
-----  
Vice President

GLOBAL INTERNATIONAL TRADING  
COMPANY

By: /s/ Wayne S. Miller  
-----  
Vice President

[Signatures continued on next page.]

S-1

INDAWA HOLDING CORP.

By: /s/ Wayne S. Miller  
-----  
Vice President

GLOBAL APPAREL SOURCING, LTD.

By: /s/ Wayne S. Miller  
-----  
Vice President

G-III RETAIL OUTLETS INC.

By: /s/ Wayne S. Miller  
-----  
Vice President

P.T. BALIHIDES

By: /s/ Guiseppe De Marco  
-----  
President Director

WEE BEEZ INTERNATIONAL LIMITED

By: /s/ Wayne S. Miller

-----  
Director

KOSTROMA LTD.

By: /s/ Wayne S. Miller  
-----

Director

G-III LICENSE COMPANY, LLC, by G-III Apparel Group, Ltd., as manager

By: /s/ Wayne S. Miller  
-----

Senior Vice President

[Signatures continued on next page.]

S-2

G-III BRANDS, LTD.

By: /s/ Philip H. Litwinoff  
-----

Chief Financial Officer

[Signatures continued on next page.]

S-3

COMMITMENT:

\$20,828,125.00  
(as a percentage: 24.50%)

FLEET NATIONAL BANK,  
AS AGENT, COLLATERAL MONITORING  
AGENT, ISSUING BANK AND AS A LENDER

BY: /s/ STEPHEN LEAVENWORTH  
-----

VICE PRESIDENT

Lending Office for Prime Rate Loans  
and Eurodollar Loans:

1185 Avenue of the Americas  
New York, New York 10036  
Attention: Stephen Leavenworth,  
Vice President

Address for Notices:

1185 Avenue of the Americas  
New York, New York 10036  
Attention: Stephen Leavenworth,  
Vice President

Telex No.: 232369  
Answer-Back Code: NBNA UR  
Telecopier: (212) 819-4105

Wire Transfer Instructions:  
-----  
-----  
-----

COMMITMENT:

\$17,742,476.61  
(as a percentage:  
20.87%

JPMORGAN CHASE BANK

BY: /S/ JUAN CARLOS ZAINO

-----  
JUAN C. ZAINO  
Title: VICE PRESIDENT

Lending Office for Prime Rate Loans  
and Eurodollar Loans:

1411 Broadway  
5th Floor  
New York, New York 10018  
Attention: Juan Zaino,  
Vice President

Address for Notices:

1411 Broadway  
5th Floor  
New York, New York 10018  
Attention: Juan Zaino,  
Vice President

Telex No.: 175666  
Answer-Back Code: CBC.UT  
Telecopier: (212) 391-7118

Wire Transfer Instructions:

-----  
-----  
-----

COMMITMENT:

\$16,971,065.06  
(as a percentage:  
19.97%)

THE CIT GROUP/COMMERCIAL  
SERVICES, INC.

BY: /S/ LISA MURAKAMI

-----  
VICE PRESIDENT

Lending Office for Prime Rate Loans  
and Eurodollar Loans:

1211 Avenue of the Americas  
New York, New York 10036  
Attention: Lisa Murakami,  
Vice President

Address for Notices:

1211 Avenue of the Americas  
New York, New York 10036  
Attention: Lisa Murakami,  
Vice President

Telex No.:  
Answer-Back Code:

Telecopier: (212) 382-6814

Wire Transfer Instructions:

-----  
-----  
-----

S-6

COMMITMENT:

\$8,958,333.33  
(as a percentage:  
10.54%)

ISRAEL DISCOUNT BANK OF  
NEW YORK

BY: /S/ HOWARD WEINBERG

-----  
SENIOR VICE PRESIDENT

BY: /S/ MATILDE REYES

-----  
VICE PRESIDENT

Lending Office for Prime Rate Loans  
and Eurodollar Loans:

511 Fifth Avenue  
New York, New York 10017  
Attention: Matilde Reyes,  
Vice President

Address for Notices:

511 Fifth Avenue  
New York, New York 10017  
Attention: Matilde Reyes,  
Vice President

Telex No.:  
Answer-Back Code:  
Telecopier: (212) 551-8720

Wire Transfer Instructions:

-----  
-----  
-----

S-7

COMMITMENT:

\$13,000,000.00  
(as a percentage:  
15.29%)

HSBC BANK USA

BY: /S/ MICHAEL BEHUNIAK

-----  
VICE PRESIDENT

Lending Office for Prime Rate Loans  
and Eurodollar Loans:

452 Fifth Avenue  
New York, New York 10018

Attention: Michael Behuniak,  
First Vice President

Address for Notices:

452 Fifth Avenue  
New York, New York 10018  
Attention: Michael Behuniak,  
First Vice President

Telex No.:  
Answer-Back Code:  
Telecopier: (212) 525-6905

Wire Transfer Instructions:

-----  
-----  
-----

S-8

COMMITMENT:

\$7,500,000.00  
(as a percentage:  
8.82%)

BANK LEUMI USA

BY: /S/ JOHN KOENIGSBERG  
-----  
FIRST VICE PRESIDENT

BY: /S/ PHYLLIS ROSENFELD  
-----  
VICE PRESIDENT

Lending Office for Prime Rate Loans  
and Eurodollar Loans:

562 Fifth Avenue  
New York, New York 10036  
Attention: Phyllis Rosenfeld,  
Vice President

Address for Notices:

562 Fifth Avenue  
New York, New York 10036  
Attention: Phyllis Rosenfeld,  
Vice President

Telex No.:  
Answer-Back Code:  
Telecopier: (212) 626-1311

Wire Transfer Instructions:

-----  
-----  
-----

S-9



G-III APPAREL GROUP, LTD.  
SUBSIDIARIES OF THE COMPANY  
(as of January 31, 2002)

G-III Leather Fashions, Inc., a New York corporation  
G-III Retail Outlets, Inc., a Delaware corporation  
G-III License Company, LLC, a Delaware Limited liability company  
G-III Brands, Ltd., a Delaware Corporation  
Siena Leather Ltd., a New York corporation  
Global International Trading Company, A Korean corporation  
G-III Hong Kong Ltd., a Hong Kong corporation  
Indawa Holding Corp., a Delaware corporation  
P.T. Balihides, an Indonesian corporation  
Global Apparel Sourcing, Ltd., a Delaware corporation  
G-III Apparel Manufacturing, Inc., a Tennessee corporation

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Registration Nos. 33-45460, 33-45461, 33-81066, 333-51765, 333-80937, and 333-39298) of our report dated March 20, 2002, with respect to the consolidated financial statements and schedule of G-III Apparel Group, Ltd. and subsidiaries included in the Annual Report (Form 10-K) for the year ended January 31, 2002.

/s/ Ernst & Young LLP

New York, New York  
April 26, 2002

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders  
G-III APPAREL GROUP, LTD.

We have issued our report dated March 31, 2000, accompanying the consolidated financial statements included in the Annual Report of G-III Apparel Group, Ltd. on Form 10-K for the year ended January 31, 2002. We hereby consent to the incorporation by reference of said report in the Registration Statements of G-III Apparel Group, Ltd. on Form S-8 (Registration Nos. 33-45460; 33-45461; 33-81066; 333-51765; 333-80937 and 333-39298).

/s/ Grant Thornton LLP

New York, New York  
April 26, 2002