G III APPAREL GROUP LTD /DE/

FORM 10-Q
(Quarterly Report)

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Address	512 SEVENTH AVE NEW YORK, NY 10018
Telephone	2126298830
CIK	0000821002
Symbol	GIII
SIC Code	2300 - Apparel & Other Finishd Prods of Fabrics & Similar Matl
Industry	Apparel/Accessories
Sector	Consumer Cyclical
Fiscal Year	01/31

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly period ended April 30, 1998

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.)
345 West 37th Street, New York, New York (Address of Principal Executive Office)	10018 (Zip Code)

(212) 629-8830
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year,
if changed since last report)

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 XX No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of June 1, 1998.

Common Stock, $.01 par value per share: 6,526,386 shares.

* The Balance Sheet at January 31, 1998 has been taken from the audited financial statements at that date. All other financial statements are unaudited.

1. Amendment No. 1 to the Fourth Amended and Restated Loan Agreement dated June 1, 1998 by and among G-III Leather Fashions, Inc., the Banks signatory thereto and Fleet Bank, N.A., as Agent.

G-III Apparel Group, Ltd. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

ASSETS	APRIL 30, 1998 (unaudited)	JANUARY 31, 1998
CURRENT ASSETS		
Cash and cash equivalents	$ 627	$ 5,842
Accounts receivable	7,546	12,664
Allowance for doubtful accounts and sales discounts	(1,055)	(1,247)
Inventories - net	30,257	20,232
Prepaid expenses and other current assets	4,588	1,758
Total current assets	41,963	39,249
PROPERTY, PLANT AND EQUIPMENT, NET	3,512	3,431
DEFERRED INCOME TAXES	3,057	3,125
OTHER ASSETS	1,003	941
	$49,535	$46,746
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable	$ 12,623	$ 3,478
Current maturities of obligations under capital leases	279	256
Income taxes payable	-0-	973
Accounts payable	1,840	2,627
Accrued expenses	1,531	2,138
Accrued nonrecurring charges	528	538
Total current liabilities	16,801	10,010
OBLIGATIONS UNDER CAPITAL LEASE	267	352
NONRECURRING CHARGES - LONG-TERM	396	397
MINORITY INTEREST	299	301
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; issued and outstanding, 6,514,286 and 6,506,276 Shares on April 30, 1998 and January 31, 1998, Respectively	65	65
Additional paid-in capital	23,716	23,700
Retained earnings	7,991	11,921
	31,772	35,686
	$49,535	$46,746

The accompanying notes are an integral part of these statements.

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands, except share and per share amounts)

	THREE MONTHS ENDED APRIL 30, (Unaudited)	
	1998	1997
Net sales	$4,950	$6,531
Cost of goods sold	5,248	6,069
Gross profit (loss)	(298)	462
Selling, general and administrative expenses	6,340	5,814
Operating loss	(6,638)	(5,352)
Interest and financing charges, net	163	60
Loss before minority interest and income taxes	(6,801)	(5,412)
Minority interest in loss of joint venture	(251)	0
Loss before income taxes	(6,550)	(5,412)
Income tax benefit	(2,620)	(2,164)
Net loss	$(3,930)	$ (3,248)
LOSS PER COMMON SHARE:		
Basic and Diluted;		
Net loss per common share	$ (.60)	$ (.50)
Weighted average number of shares outstanding	6,509,943	6,477,443

The accompanying notes are an integral part of these statements.

G-III Apparel Group, Ltd. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	THREE MONTHS ENDED APRIL 30, (Unaudited) 1998	1997
Cash flows from operating activities		
Net loss	$ (3,930)	$ (3,248)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation and amortization	323	296
Minority Interest	251	0
Changes in operating assets and liabilities:		
Accounts receivable	4,926	4,148
Inventories	(10,025)	(5,040)
Prepaid income taxes	(3,992)	(2,586)
Prepaid expenses and other current assets	257	(749)
Other assets	(62)	(46)
Accounts payable and accrued expenses	(1,397)	128
Accrued Nonrecurring Charge	(11)	(16)
Net cash used in operating activities	(13,660)	(7,113)
Cash flows from investing activities		
Capital expenditures	(404)	(118)
Capital dispositions	0	2
Investment in joint venture	250	0
Net cash used in investing activities	(654)	(116)
Cash flows from financing activities		
Increase in notes payable, net	9,145	18
Payments for capital lease obligations	(62)	(154)
Proceeds from exercise of stock options	16	1
Net cash from (used in) financing activities	9,099	(135)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,215)	(7,364)
Cash and cash equivalents at beginning of period	5,842	13,067
Cash and cash equivalents at end of period	$ 627	$ 5,703
Supplemental disclosures of cash flow information:		
Cash paid during the period for		
Interest	$ 175	$ 94
Income taxes	1,539	440

The accompanying notes are an integral part of these statement

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - General Discussion

The results for the three month period ended April 30, 1998 are not necessarily indicative of the results expected for the entire fiscal year. The accompanying financial statements included herein are unaudited. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented have been reflected.

During the quarter ended July 31, 1997, a newly formed subsidiary, BET Design Studio, LLC commenced operations. The Company owns 50.1% of the subsidiary, and accordingly consolidates its results from its startup date in May 1997.

The accompanying financial statements should be read in conjunction with the financial statements and notes included in the Company's Form 10K filed with the Securities and Exchange Commission for the year ended January 31, 1998.

Note 2 - Inventories

	April 30, 1998	January 31, 1998
Inventories consist of:	(in thousands)	
Finished products	$ 19,340	$ 14,137
Work-in-process	162	1
Raw materials	10,755	6,094
	$ 30,257	$ 20,232

Note 3 - Net Loss Per Common Share

As of January 31, 1998, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share." This statement establishes new standards for computing and presenting earnings per share ("EPS") and applies to entities with publicly-held common stock or potential common stock. This statement replaces the presentation of primary EPS with a presentation of basic EPS. It requires dual presentation of basic and diluted EPS on the face of the statement of operations for all entities with complex capital structures and requires a reconciliation of the numerators and denominators of the basic and diluted EPS computations. This statement also requires a restatement of all prior period EPS data presented.

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. All prior year amounts have been restated to conform to the new presentation

Note 4 - Notes Payable

The company's loan agreement, which expires on May 31, 1999 provides for a line of credit in the amount of $52,000,000 until June 14, 1998, $56,000,000 from June 15, 1998 to September 30, 1998, $52,000,000 from October 1, 1998 to October 30, 1998 and $40,000,000 from October 31, 1998 to May 30, 1999. The amounts available include direct borrowings of $40,000,000 until June 14, 1998, $44,000,000 from June 15, 1998 to September 30, 1998, $40,000,000 from October 1, 1998 to November 14, 1998 and $30,000,000 from November 15, 1998 to May 30, 1999. 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.

Note 5 - Nonrecurring Charges

Included in the original 1995 non-recurring charge was approximately $2.0 million to sell or liquidate a factory located in Indonesia. During the year ended January 31,1998, the Company applied approximately $1.6 million of the reserve as a reduction of the Indonesian property, plant and equipment, since the Company cannot assure any recoveries in connection with its disposition. In December 1997, the factory was contracted to manufacture luggage, and as a result, the Company has since discontinued its plan to sell or liquidate the factory. However, due to the political and economic instability being experienced in Indonesia, management determined that the remaining nonrecurring balance with respect to its Indonesian assets should be maintained. The remaining nonrecurring balance ($333,000) relates to the reserve associated with the closure of the Company's domestic factory that was completed by January 31, 1995. Based on current estimates, management believes that existing accruals are adequate.

The status of the provision at the end of the period was:

	Balance January 31, 1998	1998 Activity	Balance April 30, 1998
		(in thousands)	
Closure of Domestic Facility	$ 473	$ (140)	$ 333
Uncertainty of Indonesian Assets	462	-	462
	$ 935	$ 140	$ 462

Note 6 - 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. SFAS 130 establishes new rules for the reporting and display of comprehensive income and its components. 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 three month periods ended April 30, 1998 and 1997, other comprehensive income was not material.

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations.

Statements in this Quarterly Report on Form 10-Q concerning the Company's 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 matter, 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, 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 the Company's filings with the Securities and Exchange Commission, including this Quarterly Report on Form 10-Q.

RESULTS OF OPERATIONS

Traditionally, the three month period ending April 30 has been the quarter with the lowest sales volume during the Company's fiscal year. Net sales for the three months ended April 30, 1998 were $5.0 million compared to $6.5 million for the same period last year. The decrease in net sales during the quarter was primarily attributable to a decrease in the sales of the women's and men's G-III and private label businesses ($1.5 million) and the discontinuance of two product lines ($700,000), partially offset by an increase in sales of Kenneth Cole licensed product ($500,000).

The Company incurred a gross loss of $298,000 for the three month period ended April 30, 1998 compared to a gross profit of $462,000 for the same period last year. The negative gross margin is primarily attributable to the sale of prior season merchandise at deep discounts.

Selling, general and administrative expenses for the three months ended April 30, 1998 were $6.3 million, inclusive of BET Design Studio expenses of $500,000. Excluding BET Design Studio expenses, the Company's selling, general and administrative expenses were $5.8 million in each of the three month periods, ended April 30, 1998 and 1997.

Interest expense and finance charges for the three month period ended April 30, 1998 were $163,000 compared to $60,000 for the comparable period last year. This increase is primarily attributable to a higher levels of bank debt compared to the prior period.

Income tax benefit of $2.6 million reflects an effective tax rate of 40% for the three months ended April 30, 1998 compared to an income tax benefit of $2.2 million which reflected the same effective tax rate in the comparable period last year.

As a result of the foregoing for the three months ended April 30, 1998 the Company had a net loss of $3.9 million or $0.60 per share, compared to a net loss of $3.2 million, or $0.50 share, for the comparable period last year.

LIQUIDITY AND CAPITAL RESOURCES

The Company's loan agreement, which expires on May 31, 1999 provides for a line of credit in the amount of $52,000,000 until June 14, 1998, $56,000,000 from June 15, 1998 to September 30, 1998, $52,000,000 from October 1, 1998 to October 30, 1998 and $40,000,000 from October 31, 1998 to May 30, 1999. The amounts available include direct borrowings of $40,000,000 until June 14, 1998, $44,000,000 from June 15, 1998 to September 30, 1998, $40,000,000 from October 1, 1998 to November 14, 1998 and $30,000,000 from November 15, 1998 to May 30, 1999. 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 bear interest at the agent's prime rate (8.5% as of June 1, 1998) or LIBOR plus 250 basis points at the election of the Company. All borrowings 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. As of April 30, 1998, there were $9.1 million in direct borrowings and approximately $16.3 million of contingent liability under open letters of credit. The amount borrowed under the line of credit varies based upon the Company's seasonal requirements.

In February 1997, the Company formed a joint venture with Black Entertainment Television (BET) to provide a BET-branded clothing and accessory line. The joint venture agreement provides for the Company and BET each to make an initial capital contribution in the amount of $1.0 million. In addition, the agreement provides for the Company and BET each to make an additional capital contribution of up to $1.0 million. As of April 30, 1998, BET and the Company have each contributed $1.0 million to this joint venture. The joint venture has negotiated an asset-based credit facility with The CIT Group. To support the requirement for over advances which occur when the available collateral is not sufficient to support the level of direct bank debt and letters of credit opened to pay for product, both partners have opened stand-by letters of credit in the amount of $750,000 under which The CIT Group is the beneficiary.

The Company's wholly-owned Indonesian subsidiary has a line of credit with a bank for approximately $3.5 million which is supported by a $2.0 million stand-by letter of credit issued under the Company's loan agreement. As of April 30, 1998, the borrowing by the Indonesian subsidiary under its line of credit approximated $3.5 million. During May 1998, the Company paid down the $2.0 million stand-by letter of credit reducing the factory's credit line and bank debt balance to $1.5 million.

YEAR 2000 COMPLIANCE

The Company has conducted a review of its computer systems and operations to identify those systems of the Company as well as those of customers and vendors that could be affected by the "Year 2000" issue and is developing an implementation plan to resolve the issue. The year 2000 problem is the result of computer programs being written using two digits rather than four digits to define the applicable year. Any of the Company's programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations.

The Company expects its year 2000 date conversion project to be completed on a timely basis. During the execution of this project the Company will incur internal staff costs as well as consulting and other expenses related to enhancements necessary to prepare its systems for the year 2000. The expense of the year 2000 project, as well as the related potential effect on the Company's earnings is not expected to have a material effect on its financial position or results of operations.

EFFECT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Segment Information

In June 1997, the FASB issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which will be effective the Company's financial statements for the fiscal year ending January 31, 1999. This statement establishes standards for reporting information about segments in annual and interim financial statements. This statement introduces a new model for segment reporting, called the "management approach." The management approach is based on the way the chief operating decision-maker organizes segments within a Company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure and management structure. The Company does not believe that this statement will have a significant impact on the consolidated financial statements.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Amendment No. 1 to the Fourth Amended and Restated Loan Agreement dated June 1, 1998 by and among G-III Leather Fashions, Inc., the Bank's signatory thereto and Fleet Bank, N.A., as Agent.

SIGNATURES

Pursuant to the requirements 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.
(Registrant)

Date: June 12, 1998	*By: /s/ Morris Goldfarb*
	Morris Goldfarb *Chief Executive Officer*
Date: June 12, 1998	*By: /s/ Wayne S. Miller*
	Wayne S. Miller *Chief Financial Officer*

EXECUTION COPY

AMENDMENT NO. 1 TO THE FOURTH AMENDED AND RESTATED LOAN AGREEMENT

THIS AMENDMENT NO. 1 TO THE FOURTH AMENDED AND RESTATED LOAN AGREEMENT, dated as of June 1, 1998 (this "Amendment"), 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 BANK, N.A., a national banking association as agent for the Lenders (in such capacity, together with its successors in such capacity, the "Agent"),

W I T N E S S E T H:

WHEREAS:

A. The Borrower, the Lenders and the Agent are parties to the Fourth Amended and Restated Loan Agreement, dated as of May 31, 1997, as amended hereby (as it may be further amended, modified and supplemented from time to time, the "Loan Agreement"); and

B. The parties hereto wish to amend the Loan Agreement as hereinafter provided; and

C. Each capitalized term used but not otherwise defined herein shall have the meaning ascribed thereto in the Loan Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

SECTION 1. AMENDMENT TO LOAN AGREEMENT.

1.1 This Amendment shall be deemed to be an amendment to the Loan Agreement and shall not be construed in any way as a replacement or substitution therefor. All of the terms and conditions of, and terms defined in, this Amendment are hereby incorporated by reference into the Loan Agreement as if such terms and provisions were set forth in full therein. This Amendment shall be effective as of March 1, 1998.

1.2 The following definitions set forth in Article 1 of the Loan Agreement are amended by deleting such existing definitions in their entirety and replacing them with the following:

"'COMMITMENT' - (i) Fifty-two Million ($52,000,000) Dollars during the period from June 1, 1998 to and including June 14, 1998, (ii) Fifty-six Million ($56,000,000) Dollars during the period from June 15, 1998 to and including September 30, 1998, (iii) Fifty-two Million ($52,000,000) Dollars during the period from October 1, 1998 to and including

October 30, 1998, and (iv) Forty Million ($40,000,000) Dollars during the period from October 31, 1998 to and including the Commitment Termination Date, in each case 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."

"'DIRECT DEBT SUBLIMIT' - (i) Thirty Million ($30,000,000) Dollars during the period from November 15, 1997 through and including May 31, 1998; (ii) Forty Million ($40,000,000) Dollars during the period from June 1, 1998 through and including June 14, 1998; (iii) Forty-four Million ($44,000,000) Dollars from June 15, 1998 through and including September 30, 1998; (iv) Forty Million ($40,000,000) Dollars during the period from October 1, 1998 through and including November 14, 1998; and (v) Thirty Million ($30,000,000) Dollars during the period from November 15, 1998, through the Commitment Termination Date; provided that, at the Lenders' discretion, upon the request of the Borrower, the applicable Direct Debt Sublimit may be increased by an amount of Two Million ($2,000,000) Dollars."

"'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, and Capitalized Lease Obligations of such Person; (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; and (v) liabilities or obligations of such Person in respect of Bank Hedge Agreements."

"'LOAN DOCUMENTS' - (a) this Agreement, (b) the Notes, (c) the Guaranties, (d) the Guaranty Confirmations, (e) the Security Documents, (f) the L/Cs, (g) the Applications, (h) the Acceptances, (i) the Continuing Agreements for Issuance of Steamship Guaranties and Airway Releases and (j) the Bank Hedge Agreements 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.

"'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 Hedge Agreements shall be calculated by including the following percentages of such Obligations: (i) 20% of the face amount of foreign currency exchange Bank Hedge Agreements (other than foreign currency Bank Hedge Agreements related to the Indonesian Rupiah), (ii) 25% of the face amount of foreign currency exchange Bank Hedge Agreements related to the Indonesian Rupiah and (iii) 2% of the face amount of all other Bank Hedge Agreements."

"'OVERADVANCE' - the amount set forth below for the period indicated:

Period	Amount
March 1, 1998 - March 31, 1998	$ 9,000,000
April 1, 1998 - April 30, 1998	$15,000,000
May 1, 1998 - May 31, 1998	$26,000,000
June 1, 1998 - June 30, 1998	$30,000,000
July 1, 1998 - July 31, 1998	$25,000,000
August 1, 1998 - August 31, 1998	$22,000,000
September 1, 1998 - September 30, 1998	$15,000,000
October 1, 1998 - October 26, 1998	$15,000,000
October 27, 1998 - October 31, 1998	$ 4,000,000
November 1, 1998 - January 31, 1999	-0-

and the periods and amounts from February 1, 1999 through and including the Commitment Termination Date shall be as determined by the Lenders based on the Projections and the business plan for the period from February 1, 1999 through the Commitment Termination Date, which shall each be satisfactory in form and substance to the Lenders, 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 unless the Lenders determine (in their reasonable discretion) that such periods and amounts warrant adjustment based upon such Projections or business plan which determination shall be made within 30 days of receipt by the Lenders of such Projections; 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 (a) any cash collateral held by the Collateral Monitoring Agent for the sole purpose of securing such increases to the applicable Overadvance amount, and
(b) 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 Bank, N.A. 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 Lenders."

"'PROJECTIONS' - the balance sheets, income statements and statements of cash flow of the Borrower, prepared by the Borrower, as at, and for the fiscal year ending January 31, 1998, for the fiscal year ending January 31, 1999, for the period from February 1, 1999 through the Commitment Termination Date and for the fiscal year ending January 31, 2000."

1.3 Article 1 of the Loan Agreement is amended to include the following definitions in their appropriate alphabetic order:

"'BANK HEDGE AGREEMENT' - any Hedge Agreement required or permitted under this Agreement whether now existing or hereafter entered into by and between the Borrower and any Hedge Bank; provided, that each Bank Hedge Agreement shall (i) have a termination date of no later than August 31, 1999 and (ii) shall be cash collateralized on after June 1, 1999."

"'G-III STANDBY L/C' - the standby letter of credit in the face amount of $750,000 issued by the Borrower on March 26, 1998 for the benefit of The CIT Group/Commercial Services, Inc. to secure certain obligations of BET Studio LLC under its credit facility with The CIT Group/Commercial Services, Inc."

"'HEDGE AGREEMENTS' - interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap, cap or collar agreements, currency future or option contracts, and other similar agreements."

"'HEDGE BANK' - any Lender in its capacity as a party to a Bank Hedge Agreement."

1.4 Section 5.10(e) of the Loan Agreement is amended by deleting such existing definition in its entirety and replacing it with the following:

"(e) By no later than (i) December 1, 1998, (A) Projections for the period from February 1, 1999 through the Commitment Termination Date and (B) a business plan for the period from February 1, 1999 through the Commitment Termination Date and (ii) January

31, 1999, (A) Projections for the fiscal year ending January 31, 2000 and (B) a business plan for the fiscal year ending January 31, 2000."

1.5 Section 6.9(a) of the Loan Agreement is amended by deleting such Section in its entirety and replacing it with the following:

"(a) Have or maintain, with respect to the Parent on a consolidated basis (excluding BET Studio LLC), 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, 1998	($7,000,000)
July 31, 1998	($5,000,000)
October 31, 1998	$7,000,000
January 31, 1999	$5,000,000

and the periods and respective amounts from February 1, 1999 through and including the Commitment Termination Date shall be as determined by the Lenders based on the Projections and the business plan for the period from February 1, 1999 through the Commitment Termination Date, which shall each be satisfactory in form and substance to the Lenders, 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 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 such Projections or business plan, which determination shall be made within 30 days of receipt by the Lenders of such Projections and business plan."

1.6 Section 6.9(b) of the Loan Agreement is amended by deleting such Section in its entirety and replacing it with the following:

"(b) Have or maintain, with respect to the Parent on a consolidated basis (excluding BET Studio LLC), 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, 1998	$31,000,000
July 31, 1998	$32,000,000
October 31, 1998	$38,400,000
January 31, 1999	$36,800,000

and the periods and respective amounts from February 1, 1999 through and including the Commitment Termination Date shall be determined in the sole discretion of the Lenders within 30 days of receipt by the Lenders of the Projections and the business plan for the period from February 1, 1999 through the Commitment Termination Date.

1.7 Section 7.1 of the Loan Agreement is amended by deleting subsections (d) and (e) thereof and replacing it with the following:

"(d) Indebtedness of the Borrower to the Lenders with respect to the Korean L/C;

(e) Indebtedness of the Borrower under Bank Hedge Agreements; provided, that the amount of Indebtedness pursuant to this subsection (e) shall not exceed a face amount in the aggregate of $4,000,000 at any time; and

(f) Indebtedness of the Borrower under the G-III Standby L/C; provided, that the amount of Indebtedness pursuant to this subsection (f) shall not exceed in the aggregate $750,000 at any time;

(g) As set forth on Exhibit M hereto 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."

1.8 Section 7.3 of the Loan Agreement is amended by deleting the first sentence of such Section in its entirety and replacing it with the following:

"Except as set forth on Exhibit M hereto, 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, rental obligations and Capitalized Lease Obligations permitted to be incurred in accordance with the provisions of Sections 7.1(b), 7.18 and 7.14, 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 of this Agreement; provided, further, that the Borrower may guaranty the obligations of BET Studio LLC under its credit facility with The CIT Group/Commercial Services, Inc. to the extent of, and by issuing, the G-III Standby L/C (to the extent permitted by this Agreement) to The CIT Group/Commercial Services, Inc."

1.9 Section 7.9(d) of the Loan Agreement is amended by deleting such Section in its entirety and replacing it with the following:

"(d) Investments in BET Studio LLC; provided that the amount of Investments pursuant to this subsection (d) shall not exceed in the aggregate $2,000,000 including the G-

III Standby L/C (to the extent permitted by this Agreement), which standby letter of credit is an Investment expressly permitted under this Section 7.9;"

1.10 Section 7.9 of the Loan Agreement is amended by deleting subsections (e) and (f) thereof and replacing it with the following:

"(e) Investments in no more than one (1) retail store from the date hereof through May 31, 1998 and three (3) retail stores in the aggregate from the date hereof through the Commitment Termination Date, which Investments shall not exceed $175,000 individually and $500,000 in the aggregate;

(f) Investments by the Borrower in Bank Hedge Agreements to the extent permitted by Section 7.1(e) hereof; 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 hereof."

1.11 Section 7.13 of the Loan Agreement is amended by deleting such Section in its entirety and replacing it with the following:

"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) $1,200,000 in the aggregate during the period commencing on February 1, 1998 and ending on January 31, 1999; and (b) an aggregate amount during the period commencing on February 1, 1999 and ending on the Commitment Termination Date as determined by the Lenders based on the Projections and the business plan for the period from February 1, 1999 through the Commitment Termination Date, which shall each be satisfactory in form and substance to the Lenders, but in no event less than $400,000 unless the Lenders determine (in their reasonable discretion) that such amount warrants adjustment based on the financial condition of the Borrower as set forth in such Projections or business plan, which determination shall be made within 30 days of receipt by the Lenders of such Projections and business plan."

1.12 Section 7.14 of the Loan Agreement is amended by deleting such Section in its entirety and replacing it with the following:

"SECTION 7.14 CAPITALIZED LEASE OBLIGATIONS.

Become obligated to make expenditures in respect of Capitalized Lease Obligations in excess of the amount outstanding on the date hereof with respect to Capitalized Lease Obligations plus (a) aggregate annual payments of $400,000 for expenditures in respect of Capitalized Lease Obligations with respect to all Leases entered into during the period from February 1, 1998 through January 31, 1999, and
(b) aggregate

annual payments for expenditures in respect of Capitalized Lease Obligations with respect to all Leases entered into during the period from February 1, 1999 through the Commitment Termination Date as determined by the Lenders based on the Projections and the business plan for the period from February 1, 1999 through the Commitment Termination Date, which shall each be satisfactory in form and substance to the Lenders, but in no event less than $133,333 unless the Lenders determine (in their reasonable discretion) that such amount warrants adjustment based on the financial condition of the Borrower as set forth in such Projections or business plan, which determination shall be made within 30 days of receipt by the Lenders of such Projections and business plan, 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."

1.13 Section 7.18 of the Loan Agreement is amended by deleting such Section in its entirety and replacing it with the following:

"SECTION 7.18 RENTAL OBLIGATIONS.

Enter into any Lease (other than Capitalized Leases that are governed by Section 7.14 hereof), other than Leases which require the Borrower, the Parent or any Subsidiary to pay in the aggregate not in excess of (a) $400,000 during the period from February 1, 1998 through January 31, 1999; and (b) an amount during the period from February 1, 1999 through the Commitment Termination date as determined by the Lenders and the Borrower based on the Projections and the business plan for the period from February 1, 1999 through the Commitment Termination Date, which shall each be satisfactory in form and substance to the Lenders, but in no event less than $133,333 unless the Lenders determine (in their reasonable discretion) that such amount warrants adjustment based on the financial condition of the Borrower as set forth in such Projections or business plan, which determination shall be made within 30 days of receipt by the Lenders of such Projections and business plan; 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."

1.14 The Loan Agreement, the Loan Documents and all agreements, instruments and documents executed and delivered in connection with any of the foregoing, shall each be deemed to be amended hereby to the extent necessary, if any, to give effect to the provisions of this Amendment. Except as so amended hereby, the Loan Agreement and the Loan Documents shall remain in full force and effect in accordance with their respective terms.

SECTION 2. REPRESENTATIONS AND WARRANTIES.

The Borrower hereby represents and warrants to the Agent and the Lenders that:

2.1 After giving effect to the amendment of the Loan Agreement pursuant to this Amendment: (i) each of the representations and warranties set forth in Article 3 of the Loan

Agreement is true and correct in all respects as if made on the date hereof ; and (ii) there exists no Default or Event of Default under the Loan Agreement after giving effect to this Amendment.

2.2 The Borrower has full corporate power and authority to execute and deliver this Amendment and to perform the obligations on its part to be performed thereunder and under the Loan Agreement as amended hereby.

SECTION 3. CONDITIONS PRECEDENT TO AMENDMENTS.

The effectiveness of the amendments contained in Section 1 of this Amendment, are each and all subject to the satisfaction, in form and substance satisfactory to the Agent, of each of the following conditions precedent:

3.1 The Borrower shall have duly executed and delivered this Amendment.

3.2 Each of the conditions precedent set forth in Section 4.1 and Section 4.2 of the Loan Agreement shall have been satisfied or waived in accordance with the terms of the Loan Agreement.

3.3 The representations and warranties set forth in Section 2 hereof shall be true, correct and complete on and as of the closing date of this Amendment as though made on such date.

3.4 The Agent shall have received such approvals, opinions or documents as any Lender through the Agent may reasonably request, the Borrower and the Guarantors shall have taken all such other actions as any Lender through the Agent may reasonably request, and all legal matters incident to the foregoing shall be satisfactory to the Agent.

SECTION 4. REFERENCE TO AND EFFECT UPON THE LOAN AGREEMENT AND OTHER LOAN DOCUMENTS.

4.1 Except as specifically amended in Section 1 above, the Loan Agreement and each of the other Loan Documents shall remain in full force and effect and each is hereby ratified and confirmed.

4.2 The execution, delivery and effect of this Amendment shall be limited precisely as written and shall not be deemed to (i) be a consent to any waiver of any term or condition or to any amendment or modification of any term or condition of the Loan Agreement or any other Loan Document, except, upon the effectiveness, if any, of this Amendment, as specifically amended in Section 1 above, or (ii) prejudice any right, power or remedy which the Agent or any Lender now has or may have in the future under or in connection with the Loan Agreement or any other Loan Document. Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement", "hereunder", "hereof", "herein" or any other word or words of similar import shall mean and be a reference to the Loan Agreement as amended hereby, and each reference in any other Loan Document to the Loan Agreement or any word or words of similar import shall mean and be a reference to the Loan Agreement as amended hereby.

SECTION 5. MISCELLANEOUS

5.1 This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original, but all such counterparts shall constitute one and the same instrument.

5.2 The Borrower shall pay on demand all reasonable fees, costs and expenses incurred by Agent in connection with the preparation, execution and delivery of this Amendment (including, without limitation, all reasonable attorneys' fees).

5.3 GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPPOSED TO CONFLICTS OF LAW PROVISIONS) OF THE STATE OF NEW YORK.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed on the date first above written.

G-III LEATHER FASHIONS, INC.

By:______________________________
Name:____________________________
Title:___________________________

FLEET BANK, N.A., AS LENDER

By:______________________________
Name:____________________________
Title:___________________________

THE CHASE MANHATTAN BANK,
AS LENDER

By:______________________________
Name:____________________________
Title:___________________________

THE CIT GROUP/COMMERCIAL SERVICES,
INC., AS LENDER

By:______________________________
Name:____________________________
Title:___________________________

FLEET BANK, N. A., AS AGENT

By:______________________________
Name:____________________________
Title:___________________________

ARTICLE 5

MULTIPLIER: 1,000

FISCAL YEAR END	JAN 31 1999
PERIOD START	FEB 01 1998
PERIOD END	APR 30 1998
PERIOD TYPE	3 MOS
CASH	627
SECURITIES	0
RECEIVABLES	7,546
ALLOWANCES	(1,055)
INVENTORY	30,257
CURRENT ASSETS	41,963
PP&E	11,899
DEPRECIATION	(8,387)
TOTAL ASSETS	49,535
CURRENT LIABILITIES	16,801
BONDS	0
COMMON	65
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	31,707
TOTAL LIABILITY AND EQUITY	49,535
SALES	4,950
TOTAL REVENUES	4,950
CGS	5,248
TOTAL COSTS	5,248
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	163
INCOME PRETAX	(6,801)
INCOME TAX	(2,620)
INCOME CONTINUING	(3,930)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(3,930)
EPS PRIMARY	(0.60)
EPS DILUTED	(0.60)

End of Filing