

# G III APPAREL GROUP LTD /DE/

## FORM DEF 14A (Proxy Statement (definitive))

Filed 05/15/98 for the Period Ending 06/18/98

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

Section 240.14a-101 Schedule 14A.  
Information required in proxy statement.  
Schedule 14A Information  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934  
(Amendment No. )

Filed by the Registrant  [X]  
Filed by a party other than the Registrant  [ ]  
Check the appropriate box:  
 [ ] Preliminary Proxy Statement  
 [ ] Confidential, for Use of the Commission Only (as permitted  
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 [X] Definitive Proxy Statement  
 [ ] Definitive Additional Materials  
 [ ] Soliciting Material Pursuant to Section 240.14a-11(c) or Section  
240.14a-12

## G-III APPAREL GROUP, LTD.

.....  
(Name of Registrant as Specified In Its Charter)

.....  
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):  
 [X] No fee required  
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(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

.....

(2) Form, Schedule or Registration Statement No.:

.....

(3) Filing Party:

.....

(4) Date Filed:

.....

[Logo]

Dear Stockholder:

You are cordially invited to attend the Company's Annual Meeting of Stockholders to be held on Thursday, June 18, 1998 at 10:00 A.M., Eastern Daylight Time, at the offices of Fulbright & Jaworski L.L.P., 666 Fifth Avenue, 31st Floor, New York, New York 10103.

The formal Notice of Meeting and the accompanying Proxy Statement set forth proposals for your consideration this year. You are being asked to elect directors and to ratify the appointment of Grant Thornton LLP as the independent certified public accountants of the Company.

At the meeting, the Board of Directors will also report on the affairs of the Company, and a discussion period will be provided for questions and comments of general interest to stockholders.

We look forward to greeting personally those of you who are able to be present at the meeting. However, whether or not you are able to be with us at the meeting, it is important that your shares be represented. Accordingly, you are requested to sign, date and mail, at your earliest convenience, the enclosed proxy in the envelope provided for your use.

Thank you for your cooperation.

Very truly yours,

*/s/ MORRIS GOLDFARB*  
*MORRIS GOLDFARB*  
*Chief Executive Officer*

*May 18, 1998*

**G-III APPAREL GROUP, LTD.  
345 WEST 37TH STREET  
NEW YORK, NEW YORK 10018**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
JUNE 18, 1998**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of G-III Apparel Group, Ltd. (the 'Company') will be held on Thursday, June 18, 1998 at 10:00 A.M., Eastern Standard Time, at the offices of Fulbright & Jaworski L.L.P., 666 Fifth Avenue, 31st Floor, New York, New York 10103, for the following purposes:

- (1) To elect nine directors to serve for the ensuing year.
- (2) To consider and act upon a proposal to ratify the appointment of Grant Thornton LLP as the Company's independent certified public accountants for the fiscal year ending January 31, 1999.
- (3) To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Only stockholders of record at the close of business on May 6, 1998 will be entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

All stockholders are cordially invited to attend the Annual Meeting in person. HOWEVER, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON, EACH STOCKHOLDER IS URGED TO COMPLETE, DATE AND SIGN THE ENCLOSED FORM OF PROXY AND RETURN IT PROMPTLY IN THE ENVELOPE PROVIDED. No postage is required if the proxy is mailed in the United States. Stockholders who attend the Annual Meeting may revoke their proxy and vote their shares in person.

**By Order of the Board of Directors**

**ALAN FELLER  
Secretary**

New York, New York  
May 18, 1998

**G-III APPAREL GROUP, LTD.  
345 WEST 37TH STREET  
NEW YORK, NEW YORK 10018**

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**PROXY STATEMENT  
GENERAL INFORMATION**

**GENERAL**

This Proxy Statement (first mailed to stockholders on or about May 18, 1998) is furnished to the holders of Common Stock, par value \$.01 per share (the 'Common Stock'), of G-III Apparel Group, Ltd. (the 'Company') in connection with the solicitation by the Board of Directors of the Company of proxies for use at the Annual Meeting of Stockholders (the 'Annual Meeting'), or at any adjournment thereof, pursuant to the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held on Thursday, June 18, 1998, at 10:00 A.M., Eastern Daylight Time, at the offices of Fulbright & Jaworski L.L.P., 666 Fifth Avenue, 31st Floor, New York, New York 10103.

It is proposed that at the Annual Meeting: (i) nine directors will be elected and (ii) the appointment of Grant Thornton LLP as the independent certified public accountants of the Company for the fiscal year ending January 31, 1999 will be ratified.

Management currently is not aware of any other matters which will come before the Annual Meeting. If any other matters properly come before the Annual Meeting, the persons designated as proxies intend to vote in accordance with their best judgment on such matters.

Proxies for use at the Annual Meeting are being solicited by the Board of Directors of the Company. Proxies will be solicited chiefly by mail; however, certain officers, directors, employees and agents of the Company, none of whom will receive additional compensation therefor, may solicit proxies by telephone, telegram or other personal contact. The Company will bear the cost of the solicitation of the proxies, including postage, printing and handling, and will reimburse the reasonable expenses of brokerage firms and others for forwarding material to beneficial owners of shares of Common Stock.

**REVOCABILITY AND VOTING OF PROXY**

A form of proxy for use at the Annual Meeting and a return envelope for the proxy are enclosed. Unless otherwise indicated on the form of proxy, shares of Common Stock represented by any proxy in the enclosed form, assuming the proxy is properly executed and received by the Company prior to the Annual Meeting, will be voted with respect to the following items on the agenda: (i) the election of each of the nominees for director as shown on the form of proxy and (ii) the appointment of Grant Thornton LLP as the independent certified public accountants of the Company.

Stockholders may revoke the authority granted by their execution of a proxy at any time prior to the effective exercise of the powers conferred by that proxy, by filing with the Secretary of the Company a written notice of revocation or a duly executed proxy bearing a later date, or by voting in person at the meeting. Shares of Common Stock represented by executed and unrevoked proxies will be voted in accordance with the instructions specified in such proxies. If no specifications are given, the proxies

intend to vote the shares represented thereby 'for' the election of each of the nominees for director as shown on the form of proxy and 'for' the ratification of the appointment of Grant Thornton LLP as the independent certified public accountants of the Company, and in accordance with their best judgment on any other matters which may properly come before the meeting.

## **RECORD DATE AND VOTING RIGHTS**

On May 6, 1998, there were 6,514,286 shares of Common Stock outstanding, each of which shares is entitled to one vote upon each of the matters to be presented at the Annual Meeting. Only stockholders of record at the close of business on May 6, 1998 are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. The holders of a majority of the outstanding shares of Common Stock, present in person or by proxy and entitled to vote, will constitute a quorum at the Annual Meeting. Abstentions and broker non-votes will be counted for purposes of determining the presence or absence of a quorum, but will not be counted with respect to the specific matter being voted upon. 'Broker non-votes' are shares held by brokers or nominees which are present in person or represented by proxy, but which are not voted on a particular matter because instructions have not been received from the beneficial owner.

The affirmative vote of the holders of a plurality of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required for the election of directors. The affirmative vote of the holders of a majority of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required for the ratification of the appointment of Grant Thornton LLP.

**BENEFICIAL OWNERSHIP OF COMMON STOCK BY  
CERTAIN STOCKHOLDERS AND MANAGEMENT**

The following table sets forth information as of April 1, 1998 (except as otherwise noted in the footnotes) regarding the beneficial ownership of the Company's Common Stock of: (i) each person known by the Company to own beneficially more than five percent of the outstanding Common Stock; (ii) each director and nominee for director of the Company; (iii) each executive officer named in the Summary Compensation Table (see 'Executive Compensation' below); and (iv) all directors and executive officers of the Company as a group. Except as otherwise specified, the named beneficial owner has the sole voting and investment power over the shares listed.

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP OF COMMON STOCK	PERCENTAGE OF COMMON STOCK
Aron Goldfarb(1).....	1,256,816 (2)	18.9%
Morris Goldfarb(1).....	2,402,349 (3)	35.0%
Lyle Berman ..... 433 Bushaway Road Wayzata, MN 55391	310,550 (4)	4.8%
Thomas J. Brosig ..... 4695 Forestview Lane Plymouth, MN 55442	14,600 (5)	*
Alan Feller(1).....	51,375 (6)	*
Carl Katz(1).....	46,950 (7)	*
Willem van Bokhorst ..... c/o Smeets Thesseling van Bokhorst Spigt 805 Third Avenue New York, NY 10022	5,460 (8)	*
Sigmund Weiss ..... c/o Green & Weiss 225 West 34th Street New York, NY 10001	13,275 (9)	*
George J. Winchell ..... c/o Sea Oaks 8785 Lakeside Boulevard Vero Beach, FL 32963	2,250 (10)	*
Dimensional Fund Advisors Inc.(11) ..... 1299 Ocean Avenue 11th Floor Santa Monica, CA 90401	458,665	7.0%
Wynnefield Partners Small Cap Value, L.P. .... One Penn Plaza Suite 4720 New York, New York 10119	352,880 (12)	5.4%
Jeanette Nostra-Katz(1).....	91,050 (13)	1.3%
Keith S. Jones(1).....	68,125 (14)	1.0%
All directors and executive officers as a group (14 persons).....	4,311,150 (15)	59.2%

\* Less than one percent.

(footnotes continued on next page)

(footnotes continued from previous page)

- (1) The address of such individual is c/o G-III Apparel Group, Ltd., 345 West 37th Street, New York, New York 10018.
- (2) Includes 133,750 shares of Common Stock which may be acquired within 60 days upon the exercise of options.
- (3) Includes 364,250 shares of Common Stock which may be acquired within 60 days upon the exercise of options.
- (4) Includes 10,550 shares of Common Stock which may be acquired within 60 days upon the exercise of options.
- (5) Includes 11,450 shares of Common Stock which may be acquired within 60 days upon the exercise of options.
- (6) Includes 46,875 shares of Common Stock which may be acquired within 60 days upon the exercise of options.
- (7) Includes 46,450 shares of Common Stock which may be acquired within 60 days upon the exercise of options.
- (8) Includes an aggregate of 210 shares held by Mr. van Bokhorst's children. Mr. van Bokhorst expressly disclaims beneficial ownership of these shares. Also includes 2,250 shares of Common Stock which may be acquired within 60 days upon the exercise of options granted.
- (9) Includes 11,700 shares of Common Stock which may be acquired within 60 days upon the exercise of options.
- (10) Shares may be acquired within 60 days upon the exercise of options.
- (11) Information is derived from the Schedule 13G, dated February 9, 1998 (the 'DFA Schedule 13G'), filed by Dimensional Fund Advisors Inc. ('DFA'), a registered investment advisor, with the Commission. The DFA Schedule 13G states that DFA is deemed to have beneficial ownership as of December 31, 1997 of 458,665 shares of Common Stock, all of which shares are owned by advisory clients of DFA, no one of which, to the knowledge of DFA, owns more than 5% of the outstanding Common Stock. In the DFA Schedule 13G, DFA disclaims beneficial ownership of such shares.
- (12) Information is derived from the Schedule 13D, dated November 19, 1996 (the 'Wynnefield 13D'), filed by Wynnefield Partners Small Cap Value, L.P. ('Wynnefield') with the Commission. The Wynnefield 13D includes 337,780 shares of Common Stock owned by Wynnefield and 15,100 shares of Common Stock owned by another partnership whose general partner is one of the general partners of Wynnefield.
- (13) Includes 90,550 shares of Common Stock which may be acquired within 60 days upon the exercise of options.
- (14) Includes 40,125 shares of Common Stock which may be acquired within 60 days upon the exercise of options.
- (15) Includes an aggregate of 769,360 shares which may be acquired within 60 days upon the exercise of options.

## **PROPOSAL NO. 1 -- ELECTION OF DIRECTORS**

Nine directors (constituting the entire Board) are to be elected at the Annual Meeting. Unless otherwise specified, the enclosed proxy will be voted in favor of the persons named below (all of whom are currently directors of the Company) to serve until the next annual meeting of stockholders and until their respective successors shall have been duly elected and qualified. If any of these nominees becomes unavailable for any reason, or if a vacancy should occur before the election, the shares represented by the proxy will be voted for the person, if any, who is designated by the Board of Directors to replace the nominee or to fill the vacancy on the Board. All nominees have consented to be named and have indicated their intent to serve if elected. The Board of Directors has no reason to believe that any of the nominees will be unable to serve or that any vacancy on the Board of Directors will occur.

The nominees, their respective ages, the year in which each first became a director of the Company and their principal occupations or employment during the past five years are as follows:

NOMINEE	AGE	YEAR FIRST BECAME DIRECTOR	PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS
Morris Goldfarb.....	47	1974	Co-Chairman of the Board and Chief Executive Officer of the Company. Until April 1997, served as either President or Vice President of the Company and its predecessors since its formation in 1974. Director of Grand Casinos, Inc. and Wilsons The Leather Experts Inc.
Aron Goldfarb.....	75	1974	Co-Chairman of the Board of the Company. Until December 1994, served as either President or Vice President of the Company and its predecessors since its formation in 1974. As of January 1, 1995, Mr. Goldfarb became a consultant to the Company.
Lyle Berman.....	56	1989	Since February 1991, Chairman and Chief Executive Officer of Grand Casinos, Inc. Since May 1994, Chairman and Chief Executive Officer of Rainforest Cafe Inc. Director of Grand Casinos, Inc., Innovative Gaming Corporation of America, New Horizon Kids Quest, Inc., Rainforest Cafe, Inc. and Wilsons The Leather Experts Inc.
Thomas J. Brosig.....	48	1992	Mr. Brosig has been employed by Grand Casinos, Inc. for more than the past five years in various capacities and since September 1996 has served as its President. Director of Grand Casinos, Inc., Wilsons The Leather Experts Inc. and Famous Dave's of America.
Alan Feller.....	56	1995	Executive Vice President, Treasurer and Secretary of the Company. Mr. Feller has served as Chief Financial Officer of the Company since January 1990 and Chief Operating Officer of the Company since July 1995.
Carl Katz.....	58	1989	Executive Vice President of the Siena Leather division ('Siena') of the Company. Mr. Katz has been an executive of Siena since 1981.
Willem van Bokhorst.....	52	1989	Partner in the Netherlands Antilles law firm of Smeets Thesseling van Bokhorst Spigt for more than the past five years.
Sigmund Weiss.....	77	1974	Certified public accountant since 1948. Operated a general accounting practice for the past 35 years. Served as an accountant for the Company since its inception.
George J. Winchell.....	72	1990	Retired as Senior Vice President of W.R. Grace & Co. in 1994. Joined W.R. Grace & Co. in 1949 and held positions with the controller's office, the Specialty Chemicals Group, the Office of the President and the Retail Group.

Aron Goldfarb and Morris Goldfarb are father and son, respectively. Carl Katz and Jeanette Nostra-Katz, Executive Vice President of Siena and President of the Company, are married to each other.

The Board of Directors of the Company has several committees, including an Executive Committee, Audit Committee, Option Committee and Compensation Committee. During the fiscal year ended January 31, 1998, each director in office during such fiscal year attended not less than 75% of the aggregate number of meetings of the Board of Directors and of meetings of committees of the Board on which he served, except for Thomas J. Brosig, Willem van Bokhorst and George J. Winchell, each of whom missed one Board meeting. The Board of Directors held three meetings during the fiscal year ended January 31, 1998.

The Executive Committee, composed of Morris Goldfarb, Aron Goldfarb and Carl Katz, is vested with the powers of the Board of Directors, to the fullest extent permitted by law, between meetings of the Board. The Executive Committee acted by unanimous written consent one time in the fiscal year ended January 31, 1998.

The Audit Committee, composed of Lyle Berman, Sigmund Weiss and Willem van Bokhorst, is charged with reviewing the Company's audit and meeting with the Company's independent accountants to review the Company's internal controls and financial management practices. The Audit Committee met once during the fiscal year ended January 31, 1998, with all members of the Committee in attendance.

The Option Committee, composed of George Winchell and Willem van Bokhorst, is empowered to oversee and make all decisions regarding the Company's 1989 Stock Option Plan (the '1989 Plan') and its 1997 Stock Option Plan (the '1997 Plan'), functioning as the 'Committee' under both plans. The Option Committee acted by unanimous written consent five times in the fiscal year ended January 31, 1998. The G-III Apparel Group, Ltd. Stock Option Plan For Non-Employee Directors (the 'Non-Employee Directors Plan') is administered by the Board of Directors.

The Compensation Committee, composed of Thomas J. Brosig and Sigmund Weiss, is empowered to establish and review compensation practices and policies of the Company. The Compensation Committee is empowered to recommend and/or set the compensation for the executive officers and key employees of the Company as well as authorize and approve employment agreements.

#### **VOTE REQUIRED**

The nine nominees receiving the highest number of affirmative votes of the shares present in person or represented by proxy and entitled to vote for them shall be elected as directors. Only votes cast for a nominee will be counted, except that the accompanying proxy will be voted for all nominees in the absence of instructions to the contrary. Abstentions, broker non-votes and instructions on the accompanying proxy card to withhold authority to vote for one or more nominees will not be counted as a vote for any such nominee.

**THE BOARD OF DIRECTORS DEEMS THE ELECTION AS DIRECTORS OF THE NINE NOMINEES LISTED ABOVE TO BE IN THE BEST INTERESTS OF THE COMPANY AND ITS STOCKHOLDERS AND RECOMMENDS A VOTE 'FOR' THEIR ELECTION.**

## EXECUTIVE COMPENSATION

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to the Company's chief executive officer and each of the four other most highly compensated executive officers for the fiscal year ended January 31, 1998 for services in all capacities to the Company and its subsidiaries.

### SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR (2)	ANNUAL COMPENSATION (1)			LONG-TERM COMPENSATION	ALL OTHER COMPENSATION (\$ ) (3)
		SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION	OPTIONS (#)	
Morris Goldfarb Chief Executive Officer	1998	\$650,000	\$72,640	\$ 50,000 (4)	100,000	\$14,070
	1997	\$495,000	\$84,000	\$ 50,000 (4)	40,000	\$14,633
	1996	\$495,000	--	--	25,000	\$14,633
Jeanette Nostra Katz President	1998	\$307,692	\$35,000	--	50,000	--
	1997	\$225,000	\$40,000	--	--	--
	1996	\$220,673	\$ 5,000	--	10,000	--
Michael Laskau Vice President-Women's Non-Branded Division of G-III Leather Fashions, Inc.	1998	\$210,600	\$17,500	--	--	--
	1997	\$210,000	\$40,795	--	--	--
	1996	\$210,000	\$ 5,000 (5)	--	5,000	--
Alan Feller Executive Vice President, Treasurer and Secretary	1998	\$221,346	\$17,500	--	--	--
	1997	\$205,000	\$25,000	--	--	--
	1996	\$192,019	\$ 5,000	--	10,000	--
Keith S. Jones Vice President-Foreign Manufacturing of G-III Leather Fashions, Inc.	1998	\$198,750	\$17,500	--	--	--
	1997	\$180,000	\$25,000	--	--	--
	1996	\$180,000	\$ 5,000	--	5,000	--

(1) Amounts reflected do not include perquisites and other personal benefits received by any named executive, which, in all instances, were less than the lesser of \$50,000 or 10% of the total of annual salary and bonus reported for the named executive.

(2) Represents the fiscal year ended January 31 of that year.

(3) Amounts represent insurance premiums paid by the Company for term life insurance for the benefit of Mr. Goldfarb's wife.

(4) Represents a contribution to a supplemental pension trust pursuant to the terms of Mr. Goldfarb's employment agreement. See 'Employment Agreements.'

(5) Includes a performance bonus in the amount of \$15,795 paid in fiscal 1997 with respect to fiscal 1996.

The following table sets forth information on option grants in the fiscal year ended January 31, 1998 to the persons named in the Summary Compensation Table.

### OPTION GRANTS IN LAST FISCAL YEAR

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR (1)	EXERCISE PRICE (\$/SH)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM (2)	
					5%	10%
Morris Goldfarb.....	100,000	52.1%	\$ 4.00	Mar. 6, 2007	\$252,000	\$637,000
Jeanette Nostra Katz.....	50,000	26.0%	\$ 5.44	Sept. 10, 2007	\$171,000	\$433,000

(1) Based upon options to purchase 192,000 shares granted to all employees in the fiscal year ended January 31, 1998.

(2) These amounts represent assumed rates of appreciation in the price of the Common Stock during the terms of the options in accordance with rates specified in applicable federal securities regulations. Actual gains, if any, on stock option exercises will depend on the future price of the Common Stock and overall market conditions. There is no representation that the rates of appreciation reflected in this table will be achieved.

The following table sets forth information with respect to (i) stock options exercised in the fiscal year ended January 31, 1998 by the persons named in the Summary Compensation Table and (ii) unexercised stock options held by such individuals.

### AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF UNEXERCISED OPTIONS HELD AT FISCAL YEAR END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR END (\$) (1)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Morris Goldfarb.....	--	--	364,250	20,000	\$ 1,071,656	\$72,500
Jeanette Nostra Katz...	--	--	90,550	54,000	\$ 320,744	\$23,850
Michael Laskau.....	10,500	\$ 24,750	3,000	4,000	\$ 8,625	\$14,500
Alan Feller.....	--	--	46,875	4,000	\$ 162,442	\$14,500
Keith S. Jones.....	--	--	40,125	--	\$ 141,703	\$--

(1) Computed based on the difference between the last sale price per share of the Common Stock of \$5.63 on January 31, 1998 and the exercise price of each option.

## **EMPLOYMENT AGREEMENTS**

The Company has an employment agreement with Morris Goldfarb effective through January 31, 1999. The agreement renews annually unless either party notifies the other of its or his intent not to renew within 90 days of the scheduled termination date thereof. The agreement provides for a base annual salary of \$650,000, with increases at the discretion of the Board of Directors. During the fiscal years ended January 31, 1996 and 1997, Mr. Goldfarb was paid at the rate of \$495,000 per year pursuant to his voluntarily agreeing to a reduction in his salary. Effective February 1, 1997, Mr. Goldfarb's annual salary was reinstated to \$650,000. The agreement also provides for a \$2,000,000 life insurance policy which names Mr. Goldfarb's wife as beneficiary and an annual incentive bonus equal to varying percentages of pre-tax income (as defined in the employment agreement) if pre-tax income exceeds \$2,000,000. The percentages vary from 3% of pre-tax income in excess of \$2,000,000 up to 6% of pre-tax income in excess of \$2,000,000 if pre-tax income exceeds \$4,000,000. Pursuant to the agreement, the Company will contribute \$50,000 per year to a supplemental pension trust for Mr. Goldfarb's benefit for each year in which net after-tax income (as defined in the employment agreement) exceeds \$1,500,000. In addition, pursuant to the employment agreement, in the event that Morris Goldfarb's employment is terminated (i) by the Company without cause or (ii) by Morris Goldfarb because of a material breach by the Company of the agreement, in either case at any time after a 'Change in Control' (as defined in the agreement), then Mr. Goldfarb will be entitled to receive from the Company, in general, (a) an amount equal to 2.99 times his base salary and bonus, as well as (b) certain employment-related benefits for a period of three years from the date of his termination.

The Company has an agreement with Alan Feller, providing for the payment to Mr. Feller of a base annual salary of \$160,000. Mr. Feller is currently being paid at the rate of \$230,000 per year. The agreement also provides for the continued payment to Mr. Feller of his salary for a period of one year (or until Mr. Feller gains satisfactory comparable employment, if a lesser period), in the event he is terminated for other than 'cause' (as specified in the agreement).

## **COMPENSATION OF DIRECTORS**

Directors who are not employees or consultants of the Company receive \$5,000 per year, in addition to \$500 for each meeting of the Board attended and \$500 for each meeting of each Committee of the Board attended, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at Board of Directors' meetings.

Aron Goldfarb, a director of the Company, acts as a consultant to the Company and is paid at the rate of \$1,000 per month for services rendered in such capacity.

### **Non-Employee Directors Plan**

Pursuant to the Non-Employee Directors Plan, the Company automatically grants options on an annual basis to members of its Board of Directors who are not also employees of, or consultants to, the Company (a 'Non-Employee Director'). A maximum of 31,500 shares of Common Stock may be issued under the Non-Employee Directors Plan. Each Non-Employee Director is automatically granted an option to purchase 1,000 shares of the Common Stock on the day after each annual meeting of the Company's stockholders (each, a 'Grant Date'). All options are exercisable at a per share exercise price equal to the closing sales price of a share of Common Stock on the Grant Date. The Plan will terminate on June 25, 2001, unless sooner terminated by the Board.

In general, an option granted under the Non-Employee Directors Plan becomes exercisable in equal increments of 200 shares on each of the first through fifth anniversaries of the date the option is granted, and subject to the foregoing, may be exercised during the ten-year period from the date the option is granted. However, a Non-Employee Director who ceases to perform services for the Company will have three months (one year in the case of termination by reason of death or total disability) to exercise such person's options, but only to the extent otherwise exercisable under the vesting schedule.

The Non-Employee Directors Plan is administered by the Board of Directors of the Company. The Board of Directors may amend the Non-Employee Directors Plan, except that, in general, any amendment which would increase the aggregate number of shares of Common Stock as to which options may be granted under the Plan, materially increase the benefits under the Plan, or modify the class of persons eligible to receive options under the Plan, requires the approval of the Company's stockholders.

## **COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

The report of the Compensation Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

General. The Compensation Committee consists of Thomas J. Brosig and Sigmund Weiss. The Company's compensation policies have evolved over the years since the Company's initial public stock offering in December 1989. At the time of the public offering and periodically since then, the compensation levels of the Company's executive officers were reviewed and compared to officers of other publicly held apparel companies. The Company adopted the 1989 Plan in 1989 and increased the number of shares subject to the 1989 Plan in January 1992 and June 1994. In 1997, the Company adopted the 1997 Plan. The 1989 Plan and 1997 Plan are administered by the Option Committee, which is composed of Willem van Bokhorst and George J. Winchell.

One of the Company's strengths is a strong management team. The compensation program is designed to enable the Company to attract, retain and reward capable employees who contribute to the Company's success. Equity participation and a strong alignment to stockholders' interests are key elements of the Company's compensation philosophy. The Company's executive compensation policies are intended to (i) attract and retain the most highly qualified managerial and executive talent; (ii) afford appropriate incentives to produce superior performance; (iii) emphasize sustained performance by aligning rewards with stockholder interests; (iv) motivate executives and employees to achieve the Company's annual and long-term business goals; and (v) reward executives for superior individual contributions to the Company. To implement these policies, the Board designed an executive compensation program consisting, in general, of base salary, annual bonus plan and stock options.

Base Salary. Base salaries reflect individual responsibilities, experience, leadership and contribution to the success of the Company. Annual salary adjustments are generally determined by evaluating the performance of the executive and any increased responsibilities assumed by the executive, the performance of the Company and the competitive marketplace. As a result of the Company's focus on controlling expenses during a challenging business environment, in the fiscal years ended January 31, 1996 ('fiscal 1996') and January 31, 1997 ('fiscal 1997'), the Company

generally maintained salaries at prior year levels except for a limited number of increases based on individual merit or a significant increase in responsibility. During the fiscal year ended January 31, 1998 ('fiscal 1998'), based on the Company's continued profitable operations, the Company began to grant salary increases based on performance and the competitive marketplace to executives who had received minimal or no increases for two to three years.

Annual Bonuses. In fiscal 1996, the Company's executive officers, other than Morris Goldfarb, were entitled to receive an annual bonus under an Incentive Compensation Program based on targeted division and overall Company performance. No bonuses were paid in fiscal 1996 under the Incentive Compensation Program, although it was determined that due to the extraordinary level of effort of Company personnel which resulted in significant improvements in fiscal 1996 compared to fiscal 1995, it would be appropriate to pay bonuses ranging from one week's salary to \$5,000 to many Company personnel. Due to the realignment of the Company's merchandise divisions during fiscal 1997, the Incentive Compensation Program was discontinued and replaced by a discretionary bonus program. Under this program, if the Company's overall profit target is met, management personnel are entitled to receive bonuses, determined by Morris Goldfarb, the Chief Executive Officer of the Company, based on an evaluation of the executive's individual performance and contribution to the Company's results of operations. The Company's range of profit targets for fiscal 1997 and 1998 were met and the bonuses awarded to Ms. Nostra Katz and Messrs. Laskau, Feller and Jones are set forth in the Summary Compensation Table.

Mr. Goldfarb has a performance-based incentive bonus provision in his employment agreement. This incentive provision is intended to recognize Mr. Goldfarb's unique role in overall management and corporate strategy and provide incentive compensation based on overall performance by the Company. Pursuant to the terms of his employment agreement, Mr. Goldfarb was paid a bonus of \$84,000 with respect to fiscal 1997 and \$72,640 with respect to fiscal 1998.

Stock Options. The Compensation Committee endorses the position that equity ownership by management is beneficial in aligning management's and stockholders' interests in the enhancement of stockholder value. Stock option awards provide a long-term view and incentives tied to growth in stockholder values. The Committee strongly believes that the compensation program should provide employees with an opportunity to increase their ownership and potentially gain financially from Company stock price increases. By this approach, the best interests of stockholders, executives and employees will be closely aligned.

The Committee believes that the use of stock options as the basis for long-term incentive compensation meets the Company's compensation strategy and business needs of the Company by achieving increased value for stockholders and retaining key employees. The Committee intends to work closely with the Option Committee to achieve these goals.

COMPENSATION COMMITTEE  
Thomas J. Brosig  
Sigmund Weiss

OPTION COMMITTEE  
Willem van Bokhorst  
George J. Winchell

## **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

Morris Goldfarb, Chief Executive Officer and a director of the Company, is a director of Grand Casinos, Inc. Thomas J. Brosig, a director of the Company, is a director of Grand Casinos, Inc. and is

also the President and Chief Operating Officer of Grand Casinos, Inc. Mr. Brosig served as Executive Vice President of Administration and Finance of the Company from August 1989 through March 1990.

**COMPARATIVE PERFORMANCE BY THE COMPANY**

The Securities and Exchange Commission requires the Company to present a chart comparing the cumulative total stockholder return on its Common Stock with the cumulative total stockholder return of (i) a broad equity market index and (ii) a published industry index or peer group. This chart compares the Common Stock with (i) the S&P 500 Composite Index and (ii) the S&P Textiles Index, and assumes an investment of \$100 on January 31, 1993 in each of the Common Stock, the stocks comprising the S&P 500 Composite Index and the stocks comprising the S&P Textile Index.

**G-III APPAREL GROUP, LTD.  
COMPARISON OF CUMULATIVE TOTAL RETURN  
(JANUARY 31, 1993-JANUARY 31, 1998)**

**[PERFORMANCE GRAPH]**

	G-III -----	S&P 500 -----	S&P TEXTILE -----
1/31/93	100	100	100
1/31/94	42	109	70
1/31/95	17	108	69
1/31/96	30	146	76
1/31/97	37	181	105
1/31/98	59	225	105

**COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934**

To the Company's knowledge, the Company's directors, executive officers and beneficial owners of more than ten percent of the Company's Common Stock are in compliance with the reporting requirements of Section 16(a) under the Securities Exchange Act of 1934, as amended.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

In September 1986, the New York City Industrial Development Agency ('IDA') issued \$1,442,000 of floating rate Industrial Development Revenue Bonds to a commercial bank for the purpose of acquiring and renovating real property located at 345 West 37th Street in New York City (the '345 Property'). Simultaneously, the IDA leased the 345 Property for a term of 15 years to 345 West 37th Corp. ('345 Corp.'), a company owned and managed by Morris Goldfarb and Aron Goldfarb, for

sublease to a subsidiary of the Company as its headquarters. Monthly rental payments are due under the sublease in an amount equal to the aggregate of all amounts due under the bonds (including principal, redemption premium, if any, and interest), plus real estate taxes and building operating expenses. Two of the Company's subsidiaries and Morris Goldfarb and Aron Goldfarb (collectively, the 'Guarantors'), have jointly and severally guaranteed the payments and obligations under the lease and the payment of principal and interest on the bonds.

In April 1988, 345 Corp. received a loan in the principal amount of \$1,153,000 from the New York Job Development Authority (the 'Authority'), to assist 345 Corp. in its renovation of the 345 Property. The loan, which is financed by long-term bonds issued by the Authority, is for a period of 15 years and is repayable in principal installments of \$10,689 monthly, plus interest at a variable rate, not to exceed 1 1/2% above the Authority's cost of the funds loaned. At January 31, 1998, the interest rate on and the outstanding principal amount of the loan were 8.25% and approximately \$578,400, respectively. Each of the Guarantors has guaranteed the loan.

Each of Morris Goldfarb and Lyle Berman and/or related family partnerships or trusts for the benefit of their children are beneficial owners of an aggregate of more than 10% of the fully diluted common equity of Wilsons The Leather Experts Inc. ('Wilson's'), a retail leather apparel chain. Each of Mr. Goldfarb and Mr. Berman is also a director of Wilsons. During the year ended January 31, 1998, sales by the Company to Wilsons accounted for approximately \$6.9 million of the Company's net sales.

#### **PROPOSAL NO. 2 -- RATIFICATION OF APPOINTMENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

The stockholders will be asked to ratify the appointment of Grant Thornton LLP as the independent certified public accountants of the Company for the fiscal year ending January 31, 1999. Grant Thornton LLP audited the financial statements of the Company for the fiscal year ended January 31, 1998. A representative of Grant Thornton LLP is expected to be present at the Annual Meeting, and will have an opportunity to make a statement if such person desires to do so, and is expected to be available to respond to appropriate questions from stockholders.

**THE BOARD OF DIRECTORS DEEMS PROPOSAL NO. 2 TO BE IN THE BEST INTERESTS OF**

**THE COMPANY AND ITS STOCKHOLDERS AND RECOMMENDS A VOTE 'FOR' APPROVAL THEREOF.**

#### **STOCKHOLDER PROPOSALS**

All stockholder proposals which are intended to be presented at the Annual Meeting of Stockholders of the Company to be held in 1999 must be received by the Company no later than January 8, 1999 for inclusion in the Board of Directors' proxy statement and form of proxy relating to that meeting.

#### **OTHER BUSINESS**

The Board of Directors knows of no other business to be acted upon at the Annual Meeting. However, if any other business properly comes before the Annual Meeting, it is the intention of the persons named in the enclosed proxy to vote on such matters in accordance with their best judgment.

The prompt return of your proxy will be appreciated and helpful in obtaining the necessary vote. Therefore, whether or not you expect to attend the Annual Meeting, please sign the proxy and return it in the enclosed envelope.

**By Order of the Board of Directors**  
**ALAN FELLER**  
**Secretary**

Dated: May 18, 1998

A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K WILL BE SENT WITHOUT CHARGE TO ANY STOCKHOLDER REQUESTING IT IN WRITING FROM: G-III APPAREL GROUP, LTD., ATTENTION: CORPORATE SECRETARY, 345 WEST 37TH STREET, NEW YORK, NEW YORK 10018.

**APPENDIX 1**

**PROXY CARD**

**G-III APPAREL GROUP, LTD.  
THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS FOR THE  
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 18, 1998**

The undersigned, a stockholder of G-III Apparel Group, Ltd. (the 'Corporation'), hereby constitutes and appoints Morris Goldfarb, Aron Goldfarb and Alan Feller and each of them, the true and lawful proxies and attorneys-in-fact of the undersigned, with full power of substitution in each of them, to vote all shares of Common Stock of the Corporation which the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Corporation to be held on Thursday, June 18, 1998, and at any and all adjournments or postponements thereof, as follows:

**1. ELECTION OF DIRECTORS**

FOR the nominees listed below  WITHHOLDING AUTHORITY to vote for (except as marked all the nominees listed below to the contrary below)

(INSTRUCTIONS: To withhold authority to vote for any individual nominee, strike a line through the nominee's name in the list below.)

Nominees: Morris Goldfarb, Aron Goldfarb, Lyle Berman, Thomas J. Brosig, Alan Feller, Carl Katz, Willem van Bokhorst, Sigmund Weiss and George J. Winchell

**2. PROPOSAL TO RATIFY THE APPOINTMENT OF GRANT THORNTON LLP**

FOR  AGAINST  ABSTAIN

**3. In their discretion upon such other business as may properly come before the meeting and any and all adjournments and postponements thereof.**

(Continued on reverse side.)

(Continued)

Shares represented by this Proxy will be voted in accordance with the instructions indicated in items 1 and 2 above. IF NO INSTRUCTION IS INDICATED, THIS PROXY WILL BE VOTED FOR ALL LISTED NOMINEES FOR DIRECTORS AND FOR PROPOSAL 2.

Any and all proxies heretofore given by the undersigned are hereby revoked.

Dated: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Please sign exactly as your name(s) appear hereon. If shares are held by two or more persons each should sign. Trustees, executors and other fiduciaries should indicate their capacity.

Shares held by corporations,  
partnerships, associations,  
etc. should be signed by an  
authorized person, giving  
full title or authority.

**PLEASE DATE, SIGN AND MAIL IN THE ENCLOSED REPLY ENVELOPE**

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**End of Filing**

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