AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 30, 1996

REGISTRATION NO. 333-4419

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

GUESS ?, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	2345	95-3679695
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1444 SOUTH ALAMEDA STREET
LOS ANGELES, CALIFORNIA 90021
(213) 765-3100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

ROGER A. WILLIAMS
CHIEF FINANCIAL OFFICER
GUESS ?, INC.
1444 SOUTH ALAMEDA STREET
LOS ANGELES, CALIFORNIA 90021
(213) 765-3100
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE PUBLIC:
AS SOON AS PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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GUESS ?, INC.
CROSS-REFERENCE SHEET
PURSUANT TO ITEM 501(B) OF REGULATION S-K

ITEM NUMBER	ITEM	LOCATION IN PROSPECTUS
1.	Forepart of the Registration Statement and Outside Front Cover Page of Prospectus	Facing Page; Cross-Reference Sheet; Outside Front Cover Page of Prospectus
2.	Inside Front and Outside Back Cover Pages of Prospectus	Inside Front Cover Page of Prospectus; Additional Information; Table of Contents; Outside Back Cover Page of Prospectus
3.	Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges	Prospectus Summary; Risk Factors
4.	Use of Proceeds	Prospectus Summary; Use of Proceeds
5.	Determination of Offering Price	Underwriting
6.	Dilution	Dilution
7.	Selling Security Holders	Not Applicable
8.	Plan of Distribution	Outside Front Cover Page of Prospectus; Underwriting
9.	Description of Securities to Be Registered	Outside Front Cover Page of Prospectus; Prospectus Summary; Description of Capital Stock
10.	Interests of Named Experts and Counsel	Not Applicable
11.	Information with Respect to Registrant	Prospectus Summary; Risk Factors; Company History, the Reorganization and Prior S Corporation Status; Dividend Policy; Capitalization; Selected Financial Data; Selected Pro Forma Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Management; Certain Transactions; Principal Stockholders; Shares Eligible for Future Sale; Description of Capital Stock; Financial Statements
12.	Disclosure of Commission Position on Indemnification for Securities Act Liabilities	Not Applicable

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This Registration Statement contains two forms of prospectus: one to be used in connection with an offering in the United States and Canada (the "U.S. Prospectus") and one to be used in a concurrent offering outside the United States and Canada (the "International Prospectus"). The U.S. Prospectus and the International Prospectus will be identical in all respects except for the front and back cover pages and the "Underwriting" section. The U.S. Prospectus is included herein and is followed by those pages to be used in the International Prospectus which differ from those in the U.S. Prospectus. Each of the pages for

the International Prospectus included herein has been labeled "Alternate Page for International Prospectus."

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS DATED JULY 30, 1996

PROSPECTUS

9,200,000 SHARES

[LOGO]

COMMON STOCK

Of the 9,200,000 shares of Common Stock of Guess ?, Inc. offered hereby, 7,360,000 shares are initially being offered in the United States and Canada by the U.S. Underwriters and 1,840,000 shares are initially being offered outside the United States and Canada by the International Managers. The initial public offering price and the aggregate underwriting discount per share are identical for each of the Offerings. See "Underwriting."

Prior to the Offerings, there has been no public market for the Common Stock. It is currently estimated that the initial public offering price per share of Common Stock will be between $21 and $23. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price of the Common Stock.

The Common Stock has been approved for listing on the New York Stock Exchange under the symbol "GES," subject to official notice of issuance.

SEE "RISK FACTORS" BEGINNING ON PAGE 7 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT (1)	PROCEEDS TO COMPANY (2)
Per Share	$	$	$
Total (3)	$	$	$

(1) The Company and the Principal Stockholders have agreed to indemnify the several Underwriters against certain liabilities, including certain liabilities under the Securities Act of 1933, as amended. See "Underwriting."

(2) Before deducting expenses payable by the Company estimated to be $1,750,000.

(3) The Company has granted to the U.S. Underwriters and the International Managers options, exercisable within 30 days after the date of this Prospectus, to purchase up to an additional 1,104,000 and 276,000 shares of Common Stock, respectively, to cover over-allotments, if any. If all such additional shares are purchased, the total Price to Public, Underwriting Discount and Proceeds to Company will be $, $ and $, respectively. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters, subject to prior sale, when, as and if issued to and accepted by them, and subject to the approval of certain legal matters by counsel for the Underwriters and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the shares of Common Stock will be made in New York, New York on or about , 1996.

MERRILL LYNCH & CO. MORGAN STANLEY & CO.
INCORPORATED

The date of this Prospectus is , 1996.

[PICTURES]

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS (INCLUDING THE NOTES THERETO) APPEARING ELSEWHERE IN THIS PROSPECTUS. UNLESS OTHERWISE NOTED, ALL COMMON STOCK SHARE AMOUNTS, PER SHARE DATA AND OTHER INFORMATION SET FORTH IN THIS PROSPECTUS (I) HAVE BEEN ADJUSTED TO REFLECT A 32.66 FOR 1 STOCK SPLIT, WHICH WILL BE EFFECTED PRIOR TO CONSUMMATION OF THE OFFERINGS, AND (II) ASSUME THAT THE UNDERWRITERS' OVER-ALLOTMENT OPTIONS HAVE NOT BEEN EXERCISED. UNLESS THE CONTEXT REQUIRES OTHERWISE, THE "COMPANY" OR "GUESS," AS USED IN THIS PROSPECTUS, MEANS GUESS ?, INC. AND GUESS? EUROPE, B.V., A NETHERLANDS CORPORATION ("GEBV"), GUESS ITALIA S.R.L., AN ITALIAN CORPORATION ("GUESS ITALIA," AND TOGETHER WITH GEBV, "GUESS EUROPE"), AND RANCHE LIMITED, A HONG KONG CORPORATION ("RANCHE" OR "GUESS ASIA"), EACH OF WHICH IS A CONSOLIDATED SUBSIDIARY OF GUESS ?, INC.

THE COMPANY

Guess ?, Inc. (the "Company" or "Guess"), founded in 1981 by the Marciano brothers, designs, markets, distributes and licenses one of the world's leading lifestyle collections of casual apparel, accessories and related consumer products. The Company's apparel for men and women is inspired by an appreciation of the American lifestyle combined with a European flair and is marketed under the trademarks GUESS, GUESS U.S.A., GUESS? AND TRIANGLE DESIGN and GUESS COLLECTION. The lines include full collections of denim and cotton clothing, including jeans, pants, overalls, skirts, dresses, shorts, blouses, shirts, jackets and knitwear. In addition, the Company has granted licenses to manufacture and distribute a broad range of products that complement the Company's apparel lines, including watches, clothing for infants and children, eyewear, footwear, activewear, home products and other fashion accessories. The Company's product quality combined with captivating advertising images have created a global brand franchise with products that appeal to style-conscious consumers across a broad spectrum of ages. The Company generates net revenue from wholesale and retail operations and licensing activities, which accounted for 56%, 35% and 9%, respectively, of net revenue in 1995. The Company's total net revenue in 1995 was $486.7 million and pro forma net earnings (as described herein) were $43.3 million.

The Company achieves premium pricing for its products by emphasizing superior styling and quality. The Company maintains rigorous control over the quality of its products by performing its own design and development work and by closely monitoring the workmanship of its contractors and licensees. The enduring strength of the GUESS brand name and image is reinforced by the Company's consistent emphasis on innovative and distinctive design. Under the direction of Maurice Marciano, the Company's design department creates full lines of casual apparel that appeal to both men and women. During 1995, net sales of apparel for men and for women accounted for approximately 48% and 52%, respectively, of net revenue from the sale of apparel products. Each of the lines consists of a broad array of basic, recurring styles, complemented by more fashion-oriented items which reflect contemporary trends. During 1995, net sales of basic and fashion items accounted for approximately 49% and 51%, respectively, of the Company's net revenue from the sale of apparel products.

The Company seeks to reach a broad consumer base through multiple channels of distribution. As of March 31, 1996, GUESS brand products were distributed by the Company, its licensees and international distributors to better department stores and upscale specialty stores, 112 stores operated by the Company (of which 65 were retail stores and 47 were factory outlet stores) and 205 stores operated by licensees and distributors. As a critical element of its distribution to department stores, the Company and its licensees utilize shop-in-shops to enhance brand recognition, permit more complete merchandising of the lines and differentiate the presentation of GUESS products. As of December 31, 1995, the Company's and its licensees'

IN CONNECTION WITH THE OFFERINGS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

products were sold in approximately 1,600 shop-in-shops worldwide. In order to protect the Guess image and enhance the exclusivity of the brand, the Company began in 1993 to withdraw its products from certain wholesale accounts which did not meet the Company's merchandising standards. Sales to such discontinued accounts represented approximately $51.1 million, $32.9 million and $3.8 million of the Company's net revenue in 1993, 1994 and 1995, respectively. The Company's own network of stores, in addition to providing a key opportunity for growth, allows the Company to present and merchandise its entire collection and to test market new product concepts.

The Company intends to capitalize on the worldwide recognition of its brand name and the breadth of Guess lifestyle products by expanding its international operations. The Company has established Guess Europe in Italy and Guess Asia in Hong Kong to design, source and market products in Europe and the Pacific Rim. Guess has granted licenses for the manufacture and sale of GUESS branded products similar to the Company's, including men's and women's denim and knitwear, in markets such as Canada, Argentina, Mexico, the Philippines, South Korea, Brazil and Japan. Although Guess is in the early stages of its international expansion, GUESS brand products are currently sold in over 70 countries primarily through licensees and distributors. See "Business -- Business Strategy -- Increase International Presence."

The desirability of the GUESS brand name among consumers has allowed the Company to selectively expand its product offerings through licensing arrangements. The Company believes its licensing strategy significantly broadens the distribution of GUESS brand products while limiting the Company's capital investment and operating expenses. The Company carefully selects its licensees and maintains strict control over the design, advertising, marketing and distribution of all licensed products in order to maintain a consistent global GUESS brand image. The Company's 26 licensees manufacture and distribute a broad array of related consumer products in the United States and international markets. The Company's most significant licenses include GUESS WATCHES, BABY GUESS, GUESS KIDS and GUESS EYEWEAR, which together accounted for approximately

48.1% of the Company's net royalties in 1995. The Company continues to capitalize on the GUESS brand image by granting licenses to introduce related products. Recently, the Company licensed the GUESS HOME COLLECTION and GUESS OUTERWEAR, as well as various accessory products.

Under Paul Marciano's direction and supervision, Guess has created a consistent, high profile image through the use of its distinctive black and white print ads. The Company's in-house Advertising Department directs the media placement of all advertising worldwide, including placement by its licensees and distributors. On numerous occasions since 1986, the Company's advertising has garnered prestigious awards for creativity and excellence, including CLIO, BELDING and MOBIUS awards. Such awards are generally awarded on the basis of the judgment of prominent members of the advertising industry. By retaining control over its advertising programs, the Company is able to maintain the integrity of the GUESS brand image while realizing a substantial cost savings compared to the use of outside agencies. The Company requires its licensees and distributors to invest a percentage of their net sales of licensed products and net purchases of Guess products, respectively, in advertising, promotion and marketing. From 1992 through 1995, the Company's advertising expenditures, together with amounts spent by its licensees and its distributors (as reported to the Company by such licensees and distributors), exceeded $160 million.

The Company's business strategy is designed to increase sales and profitability, while preserving the integrity and expanding the product depth and global reach of the GUESS brand. To provide greater management depth, the Company has recently recruited several key executives with substantial industry experience to faciliate the implementation of its business strategy. The business strategy consists of the following key elements: (i) to maintain high brand recognition, (ii) to increase international operations through increasing sales to existing and new distributors, increasing royalties from the growth of licensees' businesses, increasing the number of licensee- and distributor-operated retail stores and shop-in-shops and expanding direct sales penetration through Guess Europe, (iii) to increase both product and geographic licensing arrangements, (iv) to deepen the Company's product offerings to include new fabrications and product lines, (v) to expand and improve the productivity of the Company-operated retail and factory outlet store network and (vi) to expand and upgrade domestic shop-in-shops.

COMPANY HISTORY

Maurice, Paul and Armand Marciano (the "Principal Executive Officers"), together with their brother Georges, began in the apparel business in France in 1972 and opened their first retail apparel stores in the United States in 1978 in California. The business of GUESS was founded in 1981 by the Marciano brothers. The Company was founded on the concept of a fashion jean with the first GUESS product being the "three-zip Marilyn" jean, which was stone-washed and adapted to fit the contours of a woman's body. Since that time, the Company's product offerings have grown to include full lines of men's and women's casual apparel. In August 1993, Georges Marciano sold his interest in Guess to the Company and a trust for the benefit of Paul Marciano.

THE OFFERINGS

Of the 9,200,000 shares of Common Stock, par value $.01 per share ("Common Stock"), to be sold in the Offerings, 7,360,000 shares are initially being offered in the United States and Canada by the U.S. Underwriters (the "U.S. Offering") and 1,840,000 shares are initially being offered outside the United States and Canada by the International Managers (the "International Offering," and together with the U.S. Offering, the "Offerings").

Common Stock offered by the Company hereby.....	9,200,000 shares
Common Stock to be outstanding after the Offerings (1).....	41,882,000 shares
Use of proceeds.....	The estimated net proceeds to the

	Company of $188.0 million will be used to repay the S Distribution Notes (as defined herein) (estimated to have an aggregate principal amount between $180.0 million and $190.0 million). Any remaining net proceeds will be used to repay outstanding advances under the Company's revolving credit facility.
Listing	The Common Stock has been approved for listing on the New York Stock Exchange ("NYSE") under the symbol "GES," subject to official notice of issuance.

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(1) Excludes approximately 5,000,000 shares of Common Stock reserved for issuance pursuant to awards under the Company's 1996 Equity Incentive Plan (the "1996 Equity Plan") and 1996 Non-Employee Directors' Stock Option Plan (the "Directors' Plan"), including options to purchase 1,207,405 shares of Common Stock to be granted immediately prior to the Offerings. Of such options, 1,137,598 will have an exercise price per share equal to the initial public offering price of the Common Stock and 69,807 will have an exercise price of $21.49 per share. The Company does not anticipate recording compensation expense relating to the grant of any such options. See "Management -- Employment Agreements," "-- 1996 Equity Incentive Plan" and "-- 1996 Non-Employee Directors' Stock Option Plan."

GUESS-Registered Trademark-, GUESS?-Registered Trademark-, GUESS? AND TRIANGLE DESIGN-Registered Trademark-, BABY GUESS-TM-, GUESS KIDS-Registered Trademark-, GUESS WATCHES-TM-, GUESS JEANS-TM-, GUESS U.S.A.-TM- and GUESS COLLECTION-TM- are included among the Company's trademarks.

SUMMARY FINANCIAL DATA

	YEAR ENDED DECEMBER 31,					SIX MONTHS ENDED	
	1991	1992	1993	1994	1995	JULY 2, 1995	JUNE 30, 1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
STATEMENT OF EARNINGS DATA:							
Net revenue (1)	$450,531	$512,766	$520,224	$547,812	$486,733	$229,652	$257,406
Earnings from operations	104,469	109,973	114,464	117,807	82,928	42,375	43,905(2)
Earnings before income taxes	102,527	111,224	105,281	101,181	66,814	34,269	36,467
Net earnings	99,832	108,368	103,471	97,641	63,919	32,994	34,869
SUPPLEMENTAL STATEMENT OF EARNINGS DATA (3):							
Earnings before income taxes	102,527	111,224	105,281	101,181	66,814	34,269	36,467(2)
Income taxes	41,011	44,490	42,112	40,472	26,726	13,708	14,477
Net earnings	$ 61,516	$ 66,734	$ 63,169	$ 60,709	$ 40,088	$ 20,561	$ 21,990
Net earnings per share (4)					$ 1.00		$ .55
Weighted average common shares outstanding (4)					40,026		39,811

PRO FORMA STATEMENT OF EARNINGS DATA (5):			
Earnings from operations	$ 87,985	$ 45,817	$47,271
Earnings before income taxes	72,145	37,912	39,993
Income taxes	28,858	15,165	15,877
Net earnings	$ 43,287	$ 22,747	$24,116
Net earnings per share (4)	$ 1.08		$ .61
Weighted average common shares outstanding (4)	40,026		39,811

	AS OF JUNE 30, 1996	
	ACTUAL	AS ADJUSTED (6)
	(IN THOUSANDS)	
BALANCE SHEET DATA:		
Working capital	$ 84,415	$ 88,078
Total assets	229,735	237,179
Notes payable and long-term debt	152,768	141,668
Net stockholders' equity	6,324	24,868

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(1) Includes net revenue from (i) sales to discontinued wholesale accounts that the Company determined did not meet its merchandising standards of $42.3 million, $51.1 million, $32.9 million and $3.8 million for 1992, 1993, 1994 and 1995, respectively, and $3.5 million and $407,000 for the six months ended July 2, 1995 and June 30, 1996, respectively, and (ii) wholesale sales of discontinued product lines of $82.6 million, $31.7 million, $5.3 million and $1.7 million for 1992, 1993, 1994 and 1995, respectively, and $1.5 million and $345,000 for the six months ended July 2, 1995 and June 30, 1996, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- General."

(2) Includes non-recurring charges related to the write down of operating assets to be disposed of in contemplation of the Offerings of $3.6 million ($3.4 million (historical) and $2.2 million (supplemental and pro forma) on an after-tax basis, respectively) in the aggregate (the "Reorganization Charge") relating to (i) disposal of two currently active remote warehouse and production facilities, which are not expected to be used in the Company's operations after the Offerings, resulting in a net book loss of $2.4 million, and (ii) the net book loss of $1.2 million incurred by the Company in connection with the sale of one of its aircraft to an unaffiliated third party for $6.0 million in contemplation of the Offerings. The effects of the Reorganization Charge have not been given pro forma effect for any of the periods presented. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Six Months Ended June 30, 1996 Compared to Six Months Ended July 2, 1995."

(3) Reflects adjustments for Federal and state income taxes as if the Company had been taxed as a C corporation rather than an S corporation.

(4) Reflects 32,682,000 shares of Common Stock outstanding prior to the Offerings and the assumed issuance of 7,344,000 and 7,129,000 shares of Common Stock at an assumed initial public offering price of $22.00 per share to generate sufficient cash to pay the S Corporation Distribution (as defined herein) in an amount equal to retained earnings as of December 31, 1995 and June 30, 1996, respectively.

(5) Pro forma operating results reflect adjustments to historical operating results for (i) the elimination of salaries and bonuses paid to the Principal Executive Officers in excess of an aggregate of $4.9 million per year, or $1.2 million per quarter (the estimated aggregate salaries and bonuses to be paid to the Principal Executive Officers under their respective employment agreements following the Offerings), (ii) the decrease in depreciation and operating costs of $2.6 million, $1.3 million and $1.2 million for the year ended December 31, 1995 and the six months ended July 2, 1995 and June 30, 1996, respectively, associated with an aircraft owned by the Company, which aircraft was sold in contemplation of the Offerings, (iii) the elimination of the minority interest in GEBV and Guess Italia

through the merger of Marciano International (as defined herein) with and into the Company in connection with the Reorganization (as defined herein), resulting in the inclusion in net earnings of $274,000, $201,000 and $160,000 for the year ended December 31, 1995 and the six months ended July 2, 1995 and June 30, 1996, respectively, which amounts had previously been recorded as minority interest, and (iv) adjustments for Federal and state income taxes as if the Company had been taxed as a C corporation rather than an S corporation. See "Company History, the Reorganization and Prior S Corporation Status" and "Management -- Employment Agreements." For additional pro forma statement of earnings data for 1993, 1994 and 1995 and for the six months ended July 2, 1995 and June 30, 1996, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(6) The as adjusted amount includes $176.9 million of S Distribution Notes which represent the undistributed S corporation taxable earnings at June 30, 1996 that would have been distributed had the Company's S corporation status been terminated at such date and reflects the sale of shares of Common Stock by the Company hereby at the assumed initial public offering price of $22.00 per share and the application of the estimated net proceeds therefrom to repay indebtedness of the Company, including indebtedness under the S Distribution Notes. No adjustment has been made to give effect to the Company's earned and undistributed taxable S corporation earnings for the period from July 1, 1996 through the S Termination Date (as defined herein), which will be distributed as part of the S Corporation Distribution. Between July 1, 1996 and the S Termination Date, the Company anticipates the increase in the S Distribution Notes to be between approximately $3.1 million and $13.1 million. See "Use of Proceeds" and "Company History, the Reorganization and Prior S Corporation Status."

RISK FACTORS

PROSPECTIVE PURCHASERS OF THE COMMON STOCK OFFERED HEREBY SHOULD CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS OTHER INFORMATION SET FORTH IN THIS PROSPECTUS, IN EVALUATING AN INVESTMENT IN THE COMMON STOCK. THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS WHICH INVOLVE RISKS AND UNCERTAINTIES. THE COMPANY'S ACTUAL RESULTS AND THE TIMING OF CERTAIN EVENTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED BY SUCH FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS DISCUSSED IN THIS PROSPECTUS, INCLUDING THE FACTORS SET FORTH BELOW AND IN "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" AND "BUSINESS," AS WELL AS THOSE DISCUSSED ELSEWHERE IN THIS PROSPECTUS.

COMPETITION AND OTHER FACTORS AFFECTING THE APPAREL AND RETAILING INDUSTRIES

The apparel industry is highly competitive, fragmented and subject to rapidly changing consumer demands and preferences. The Company believes that its success depends in large part upon its ability to anticipate, gauge and respond to changing consumer demands and fashion trends in a timely manner and upon the continued appeal to consumers of the Guess image. Failure by the Company to identify and respond appropriately to changing consumer demands and fashion trends could adversely affect consumer acceptance of Guess products and may have a material adverse effect on the Company's financial condition and results of operations. Guess competes with numerous apparel manufacturers and distributors (including Calvin Klein, Ralph Lauren, DKNY, Tommy Hilfiger and Nautica). Moreover, several well-known designers have recently entered or re-entered the designer denim market with products generally priced lower than the Company's designer jeans products. Guess's retail and factory outlet stores face competition from other retailers. Additionally, the Company encounters substantial competition from department stores, including some of the Company's major retail customers. Many of the Company's competitors have greater financial resources than Guess. The Company's licensed apparel and accessories also compete with a substantial number of designer and non-designer lines. Although the level and nature of competition differ among its product categories, Guess believes that it competes primarily on the basis of its brand image, quality of

design and workmanship and product assortment. Increased competition by existing and future competitors could result in reductions in sales or prices of Guess products that could have a material adverse effect on the Company's financial condition and results of operations. In addition, the apparel industry historically has been subject to substantial cyclical variations, and a recession in the general economy or uncertainties regarding future economic prospects that affect consumer spending habits could have a material adverse effect on the Company's financial condition and results of operations.

DEPENDENCE UPON CERTAIN CUSTOMERS AND LICENSEES

The Company's department store customers include major United States retailers. The Company's three largest customers accounted for approximately 26.0% of net revenue in 1995. During 1995, Bloomingdale's, Macy's and affiliated stores owned by Federated Department Stores together accounted for approximately 11.0% of the Company's net revenue; The May Company accounted for approximately 7.7% of the Company's net revenue; and Dillard's stores accounted for approximately 7.3% of the Company's net revenue. Although several of the Company's department store customers are under common ownership, no other single customer or group of related customers accounted for more than 3.0% of the Company's net revenue in this period. While the Company believes that purchasing decisions in many cases are made independently by each department store chain under common ownership, the trend may be toward more centralized purchasing decisions. A decision by the controlling owner of a group of department stores or any other significant customer to decrease the amount purchased from the Company or to cease carrying Guess products could have a material adverse effect on the Company's financial condition and results of operations. The retail industry has periodically experienced consolidation and other ownership changes. In the future, the Company's wholesale customers may consolidate, undergo restructurings or reorganizations, or realign these affiliations, any of which could decrease the number of stores that carry the Company's or its licensees' products or increase the ownership concentration within the retail industry. Approximately 48.1% of the Company's net royalties was derived from its top four licensed product lines, GUESS WATCHES (18.9% of 1995 net royalties), BABY GUESS (12.3%), GUESS KIDS (9.2%) and GUESS EYEWEAR (7.7%). The BABY GUESS and GUESS KIDS lines are licensed to the same entity. A substantial portion of sales of GUESS brand products by its licensees are also made to the Company's three largest customers. The inability of the Company to control

the quality, focus, image or distribution of its licensed products could impact consumer receptivity to the Company's products generally and, therefore, adversely affect the Company's financial condition and results of operations.

RISKS ASSOCIATED WITH ACHIEVING AND MANAGING GROWTH

To manage growth effectively, Guess will be required to continue to implement changes in certain aspects of its business, continue to expand its information systems and operations to respond to increased demand, attract and retain qualified personnel (including management), and develop, train and manage an increasing number of management-level and other employees. Failure to continue to enhance operating control systems or unexpected difficulties encountered during expansion could adversely affect the Company's financial condition and results of operations.

As part of its operating strategy, Guess intends to continue to expand its network of retail stores. Factors beyond the Company's control may affect the Company's ability to expand, including general economic and business conditions affecting consumer spending. The actual number and type of such stores to be opened and their success will depend on various factors, including the performance of the Company's wholesale and retail operations, the acceptance by consumers of the Company's retail concepts, the ability of the Company to manage such expansion and hire and train personnel, the availability of desirable locations and the negotiation of acceptable lease terms for new locations. Certain of these factors are also beyond the Company's control.

In addition, Guess's strategy relies heavily upon its ability to align

itself with effective distributors and licensees that are able to deliver high-quality products consistent with the GUESS brand image in a timely fashion and to successfully integrate such distributors and licensees into its global distribution channels. A general failure by the Company to maintain and control its existing distribution and licensing arrangements or to procure additional distribution and licensing relationships could adversely affect the Company's growth strategy, which could adversely affect the Company's financial condition and results of operations.

The Company's strategic plan for its wholesale division depends in part on its ability to expand its sales to international distributors, deepen its product offerings and expand and upgrade its shop-in-shop program. This strategy is subject to a number of factors beyond the Company's control including general economic conditions and changing consumer preferences. Between 1992 and 1995, net revenue from wholesale operations decreased 32%. There can be no assurance that the Company's business strategy will be successful in halting or reversing this decline in net revenue.

DEPENDENCE UPON KEY PERSONNEL

The success of Guess is largely dependent upon the personal efforts and abilities of its senior management, particularly Mr. Maurice Marciano, Chairman of the Board and Chief Executive Officer, Mr. Paul Marciano, President and Chief Operating Officer, and Mr. Armand Marciano, Senior Executive Vice President and Secretary. Effective upon consummation of the Offerings, Maurice, Paul and Armand Marciano will continue to beneficially own an aggregate of 78.0% of the Company's outstanding Common Stock and each will enter into employment agreements with the Company. Although the Company has recently recruited several key executives with substantial industry expertise, the extended loss of the services of one or more of the Principal Executive Officers could have a material adverse effect on the Company's operations. The Company does not currently have "key man" insurance with respect to any of such individuals. See "Management -- Employment Agreements."

FOREIGN OPERATIONS AND SOURCING; IMPORT RESTRICTIONS

During 1995, approximately 18% of the Company's purchases of raw materials, labor and finished goods for its apparel were made in Hong Kong and other Asian countries; approximately 4% were made in Europe; approximately 1% were made elsewhere outside the United States; and the balance of 77% were made in the United States, all through arrangements with independent contractors. In recent years, Guess has been increasing its sourcing of fabrics outside of the United States. In addition, Guess has been increasing its international sales and, in 1995, approximately 5.0% and 1.9% of the Company's net revenue was from product sales to customers in international markets and from net royalties paid by international

licensees, respectively. As a result, the Company's operations may be affected adversely by political instability resulting in the disruption of trade with the countries in which the Company's contractors, suppliers or customers are located, the imposition of additional regulations relating to imports, the imposition of additional duties, taxes and other charges on imports, significant fluctuations in the value of the dollar against foreign currencies or restrictions on the transfer of funds. The inability of a contractor to ship orders in a timely manner could cause the Company to miss the delivery date requirements of its customers for those items, which could result in cancellation of orders, refusal to accept deliveries or a reduction in sales prices. Further, since Guess is unable to return merchandise to its suppliers, it could be faced with a significant amount of unsold merchandise, which could have a material adverse effect on the Company's financial condition and results of operations.

Sovereignty over Hong Kong is scheduled to be transferred from the United Kingdom to The People's Republic of China effective July 1, 1997. If the business climate in Hong Kong were to experience an adverse change as a result of the transfer, the Company believes it could relocate its production and

sourcing facilities outside Hong Kong and replace the merchandise currently produced in Hong Kong with merchandise produced elsewhere without a material adverse effect on the Company's financial condition or results of operations. Nevertheless, there can be no assurance that the Company would be able to do so.

The Company's import operations are subject to constraints imposed by bilateral textile agreements between the United States and a number of foreign countries, including Hong Kong, China, Taiwan and South Korea. These agreements, which have been negotiated bilaterally either under the framework established by the Arrangement Regarding International Trade in Textiles, known as the Multifiber Agreement, or other applicable statutes, impose quotas on the amounts and types of merchandise which may be imported into the United States from these countries. These agreements also allow the United States to impose restraints at any time and on very short notice on the importation of categories of merchandise that, under the terms of the agreements, are not currently subject to specified limits. Imported products are also subject to United States customs duties which comprise a material portion of the cost of the merchandise. A substantial increase in customs duties could have an adverse effect on the Company's financial condition or results of operations. The United States and the countries in which the Company's products are produced or sold may, from time to time, impose new quotas, duties, tariffs or other restrictions, or adversely adjust prevailing quota, duty or tariff levels, any of which could have a material adverse effect on the Company's financial condition or results of operations.

DEPENDENCE ON UNAFFILIATED MANUFACTURERS

The Company does not own or operate any manufacturing facilities other than cutting, silk-screen and embroidery machinery, and is therefore dependent upon independent contractors for the manufacture of its products. The Company's products are manufactured to its specifications by both domestic and international manufacturers. The inability of a manufacturer to ship the Company's products in a timely manner or to meet the Company's quality standards could adversely affect the Company's ability to deliver products to its customers in a timely manner. Delays in delivery could result in missing certain retailing seasons with respect to some or all of the Company's products or could otherwise have an adverse effect on the Company's financial condition and results of operations. The Company does not have long-term contracts with any manufacturers.

PROTECTION OF TRADEMARKS

Guess believes that its trademarks and other proprietary rights are important to its success and its competitive position. Accordingly, Guess devotes substantial resources to the establishment and protection of its trademarks on a worldwide basis. Nevertheless, there can be no assurance that the actions taken by the Company to establish and protect its trademarks and other proprietary rights will be adequate to prevent imitation of its products by others or to prevent others from seeking to block sales of Guess products as violative of the trademarks and proprietary rights of others. No assurance can be given that others will not assert rights in, or ownership of, trademarks and other proprietary rights of Guess. In addition, the laws of certain foreign countries do not protect proprietary rights to the same extent as do the laws of the United States. See "Business -- Trademarks."

FUTURE SALES BY PRINCIPAL STOCKHOLDERS; SHARES ELIGIBLE FOR FUTURE SALE

The Common Stock offered hereby will be freely tradeable (other than by an "affiliate" of the Company as such term is defined in the Securities Act of 1933, as amended (the "Securities Act")) without restriction or registration under the Securities Act. Immediately after the Offerings, trusts controlled by and for the benefit of Maurice Marciano, Paul Marciano and Armand Marciano and their families, respectively (the "Principal Stockholders"), will beneficially own approximately 35.4%, 28.8% and 13.8%, respectively, of the outstanding Common Stock. Subject to the restrictions set forth below, the Principal

Stockholders will be free to sell such shares from time to time to take advantage of favorable market conditions or for any other reason. Future sales of shares of Common Stock by the Company and its stockholders could adversely affect the prevailing market price of the Common Stock. Guess and the Principal Stockholders have entered into lock-up agreements with Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Morgan Stanley & Co. Incorporated, as representatives of the U.S. Underwriters (the "U.S. Representatives"), and with Merrill Lynch International and Morgan Stanley & Co. International Limited, as representatives of the International Managers (the "International Representatives" and, together with the U.S. Representatives, the "Representatives"), pursuant to which the Company and the Principal Stockholders have agreed, subject to certain exceptions, not to, directly or indirectly, (i) sell, grant any option to purchase or otherwise transfer or dispose of any Common Stock or securities convertible into or exchangeable or exercisable for Common Stock or file a registration statement under the Securities Act with respect to the foregoing or (ii) enter into any swap or other agreement or transaction that transfers, in whole or in part, the economic consequence of ownership of the Common Stock, without the prior written consent of Merrill Lynch, for a period of 180 days after the date of this Prospectus. After such time, approximately 32,682,000 shares of Common Stock will be eligible for sale pursuant to Rule 144 promulgated under the Securities Act. In addition, the Principal Stockholders have rights to demand or participate in future registrations of shares of Common Stock under the Securities Act. Sales of substantial amounts of Common Stock in the public market, or the perception that such sales may occur, could have a material adverse effect on the market price of the Common Stock. See "Shares Eligible for Future Sale" and "Underwriting."

CONTROL BY PRINCIPAL STOCKHOLDERS

Following the consummation of the Offerings, the Principal Stockholders will have majority control of the Company and the ability to control the election of directors and the results of other matters submitted to a vote of stockholders. Such concentration of ownership, together with the anti-takeover effects of certain provisions in the Delaware General Corporation Law and in the Company's Certificate of Incorporation and Bylaws, may have the effect of delaying or preventing a change in control of the Company. See "Description of Capital Stock." The Board of Directors of the Company is expected to be comprised entirely of designees of the Principal Stockholders. See "Management" and "Principal Stockholders."

ABSENCE OF PUBLIC MARKET AND POSSIBLE VOLATILITY OF STOCK PRICE

Prior to the Offerings, there has been no public market for the Common Stock, and there can be no assurance that an active trading market will develop or be sustained. The initial public offering price of the Common Stock offered hereby will be determined through negotiations among the Company, the Principal Stockholders and the Representatives and may bear no relationship to the market price for the Common Stock after the Offerings. Subsequent to the Offerings, prices for the Common Stock will be determined by the market and may be influenced by a number of factors, including depth and liquidity of the market for the Common Stock, investor perceptions of the Company, changes in conditions or trends in the Company's industry or in the industry of the Company's significant customers, publicly traded comparable companies and general economic and other conditions. See "Underwriting."

DILUTION

The initial public offering price is expected to be substantially higher than the book value per share of Common Stock. Investors purchasing shares of Common Stock in the Offerings will therefore incur immediate and substantial dilution of $21.43 per share, based upon the mid-point of the filing range set forth on the cover page of this Prospectus. See "Dilution."

FORWARD-LOOKING STATEMENTS

When used in this Prospectus and the documents incorporated herein by reference, the words "believes," "anticipates," "expects" and similar expressions are intended to identify in certain circumstances, forward-looking statements. Such statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those projected, including the risks described in this "Risk Factors" section. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such statements. The Company also undertakes no obligation to update these forward-looking statements.

COMPANY HISTORY, THE REORGANIZATION AND PRIOR S CORPORATION STATUS

Maurice, Paul and Armand Marciano, together with their brother Georges, began in the apparel business in France in 1972 and opened their first retail apparel stores in the United States in 1978 in California. The business of GUESS was founded in 1981 by the Marciano brothers. The Company was founded on the concept of a fashion jean with the first GUESS product being the "three-zip Marilyn" jean, which was stone-washed and adapted to fit the contours of a woman's body. Since that time, the Company's product offerings have grown to include full lines of men's and women's casual apparel.

Guess ?, Inc. is a Delaware corporation organized in 1993 to succeed to the business of Guess ?, Inc., a California corporation ("Guess California"), that commenced operations in 1981. Guess California was the entity through which Maurice, Paul, Armand and Georges Marciano conducted the Guess business until August 1993. At that time, Guess California was merged into Guess ?, Inc., and the Company and a trust for the benefit of Paul Marciano repurchased the shares of Common Stock owned by Georges Marciano, who simultaneously resigned as Chairman and Chief Executive Officer of the Company and from its Board of Directors. Since the inception of Guess California, Georges Marciano, together with Maurice Marciano, had been primarily responsible for the creation of Guess California's product. Georges Marciano was primarily responsible for design while Maurice Marciano was responsible for product development. After the resignation of Georges Marciano, Maurice Marciano became responsible for all aspects of design along with his prior responsibilities for the development of the Company's strategic focus and expansion of its business and was named Chairman and Chief Executive Officer. See "Management."

The purchase price for the shares of Common Stock repurchased by the Company was approximately $203.5 million. The Company financed such purchase with the proceeds from an offering of $130.0 million principal amount of 9 1/2% Senior Subordinated Notes due 2003 (the "Senior Subordinated Notes") and an $80.0 million short term loan (the "Bridge Loan"). The Bridge Loan was repaid in full in December 1993. As of the date hereof, $105.0 million principal amount of the Senior Subordinated Notes remains outstanding.

Since 1983, Guess has elected to be treated for Federal and certain state income tax purposes as an S corporation under Subchapter S of the Internal Revenue Code of 1986, as amended (the "Code"), and comparable state laws. As a result, the earnings of the Company (including its predecessor) for such years have been included in the taxable income of the Company's stockholders for Federal and certain state income tax purposes, and the Company has generally not been subject to income tax on such earnings, other than California and other state franchise taxes. Prior to the consummation of the transactions related to the Offerings (the "Closing Date"), the Company's S corporation status will be terminated (the "S Termination Date"). Prior to the S Termination Date, the Company will declare a distribution to its stockholders that will include all of its previously earned and undistributed S corporation earnings through the S Termination Date (the "S Corporation Distribution"). The S Corporation Distribution will occur prior to the S Termination Date and will be comprised of promissory notes bearing interest at 8% per annum (the "S Distribution Notes"). Guess estimates that such undistributed taxable S corporation earnings will be between $180.0 million and $190.0 million as of the Closing Date, including a

gain for income tax purposes recognized in connection with the sale of one of the Company's aircraft. See "Use of Proceeds." On and after the S Termination Date, the Company will no longer be treated as an S corporation and, accordingly, will be fully subject to Federal and state income taxes. See "Capitalization" and note 7 to the Company's consolidated financial statements.

The Company's current primary subsidiaries include GEBV and Guess Italia. Marciano International, Inc., a Delaware corporation owned by certain of the Principal Stockholders ("Marciano International"), currently holds minority interests in GEBV and Guess Italia. Ranche is currently a wholly-owned subsidiary of GEBV.

Prior to the consummation of the Offerings, (i) Marciano International will be merged with and into Guess, (ii) all of the capital stock of Guess Italia will be contributed to GEBV, (iii) the Company will effect a 32.66 for 1 split of the Common Stock and (iv) the S Corporation Distribution will be effected, whereby the Company will distribute to the Principal Stockholders the S Distribution Notes. Trusts for the respective benefit of Maurice Marciano, Paul Marciano and Armand Marciano (the "Marciano Trusts") will receive an

aggregate of $300,000 in connection with the merger of Marciano International with and into the Company. All of such transactions (together with the termination of the Company's S corporation status described above) are referred to herein as the "Reorganization."

The Company's principal executive offices are located at 1444 South Alameda Street, Los Angeles, California 90021 and its telephone number is (213) 765-3100.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the shares of Common Stock offered by the Company hereby are estimated to be approximately $188.0 million, based on an assumed initial public offering price of $22.00 per share. The Company intends to immediately use such net proceeds to repay substantially all of the S Distribution Notes (estimated to have an aggregate principal amount between $180.0 million and $190.0 million). The remaining net proceeds, if any, will be used to repay outstanding advances under the Company's revolving credit facility. The S Distribution Notes will bear interest at 8% and will mature one year from the Closing Date. Pending repayment of the S Distribution Notes, the Company will invest the net proceeds in short-term, interest bearing instruments or other investment grade securities. As of June 30, 1996, there was $43.0 million outstanding under the revolving credit facility, which bears interest at 7.0%. See "Company History, the Reorganization and Prior S Corporation Status" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

DIVIDEND POLICY

The Company anticipates that, after payment of the S Corporation Distribution to the Principal Stockholders in connection with the termination of the S corporation status of the Company, all earnings will be retained for the foreseeable future for use in the operations of the business. Purchasers of shares of Common Stock in the Offerings will not receive any portion of the S Corporation Distribution. Any future determination as to the payment of dividends will be at the discretion of the Company's Board of Directors and will depend upon the Company's results of operations, financial condition, contractual restrictions and other factors deemed relevant by the Board of

Directors. The agreement governing the Company's revolving credit facility (the "Credit Agreement") and the indenture pursuant to which the Senior Subordinated Notes were issued (the "Indenture") restrict the payment of dividends by the Company. For certain information regarding distributions made by the Company in 1993, 1994, 1995 and the six months ended June 30, 1996, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

CAPITALIZATION

The following table sets forth the short-term debt and capitalization of the Company as of June 30, 1996 and as adjusted as of that date to give effect to (i) the S Corporation Distribution as if the Company's S corporation status had terminated on such date and (ii) an estimated $7.4 million of net deferred tax assets that would have been recorded had the Company's S corporation status been terminated on June 30, 1996, and as further adjusted to reflect the sale of shares of Common Stock by the Company in the Offerings and the application of the estimated net proceeds therefrom to repay indebtedness under the S Distribution Notes and the Credit Agreement. The information below should be read in conjunction with the Company's consolidated financial statements and the related notes thereto which are included elsewhere in this Prospectus. See "Use of Proceeds."

	AS OF JUNE 30, 1996		
	ACTUAL	AS ADJUSTED	AS FURTHER ADJUSTED
	(IN THOUSANDS)		
Short-term debt:			
Current installments of long-term debt	$ 983	$ 983	$ 983
Short-term notes payable	3,073	179,973(1)	3,073
Total short-term debt	$ 4,056	$ 180,956	$ 4,056
Long-term debt:			
Long-term debt, net of current installments	$ 43,712	$ 43,712	$ 32,612
9 1/2% Senior Subordinated Notes due 2003	105,000	105,000	105,000
Total long-term debt	148,712	148,712	137,612
Stockholders' equity:			
Preferred Stock, par value $.01 per share; 10,000,000 shares authorized, no shares issued and outstanding	--	--	--
Common Stock, par value $.01 per share; 150,000,000 shares authorized, 52,713,000 shares issued, 32,682,000 shares outstanding actual and as adjusted, 41,882,000 shares outstanding as further adjusted, 20,031,000 shares held in treasury (2)	35	35	127
Paid-in capital	181	(19,883)(3)	168,025(3)
Retained earnings (4)	156,836	7,444	7,444
Foreign currency translation adjustment	48	48	48
Treasury stock, 20,031,000 shares repurchased (5)	(150,776)	(150,776)	(150,776)
Net stockholders' equity (deficiency)	6,324	(163,132)	24,868
Total capitalization	$ 155,036	$ (14,420)	$ 162,480

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(1) The as adjusted amount includes $176.9 million of S Distribution Notes which represent the undistributed S corporation taxable earnings at June 30, 1996 that would have been distributed had the Company's S corporation status been terminated on such date.

(2) Excludes approximately 5,000,000 shares of Common Stock reserved for issuance pursuant to awards under the 1996 Equity Plan and the Directors'

Plan, including options to purchase 1,207,405 shares of Common Stock to be granted immediately prior to the Offerings. Of such options, 1,137,598 will have an exercise price per share equal to the initial public offering price of Common Stock and 69,807 will have an exercise price of $21.49 per share. The Company does not anticipate recording compensation expense relating to the grant of any such options. See "Management -- Employment Agreements," "-- 1996 Equity Incentive Plan" and "-- 1996 Non-Employee Directors' Stock Option Plan."

(3) Reflects a reduction of $20.1 million of paid-in capital for that portion of the S Corporation Distribution which is in excess of financial statement retained earnings. The S Corporation Distribution exceeds financial statement retained earnings because of differences in the basis of certain assets and liabilities between the financial reporting and income tax presentation.

(4) No adjustment has been made to give effect to the Company's earned and undistributed taxable S corporation earnings for the period from July 1, 1996 through the S Termination Date, which will be distributed as part of the S Corporation Distribution. Between July 1, 1996 and the S Termination Date, the Company anticipates the increase in the S Distribution Notes to be between approximately $3.1 million and $13.1 million. See "Use of Proceeds" and "Company History, the Reorganization and Prior S Corporation Status."

(5) Represents the cost in excess of the allocable portion of retained earnings associated with the repurchase of Common Stock from a former principal stockholder of the Company. See note 7 to the Company's consolidated financial statements.

DILUTION

The net tangible book value of the Company at June 30, 1996 was approximately $5.3 million, or $.16 per share of Common Stock. After giving effect to the Reorganization and the S Corporation Distribution as if it had been made as of June 30, 1996 and the Company's S corporation status had terminated at such date, the pro forma net tangible book value of the Company at June 30, 1996 would have been approximately $(164.2) million, or $(5.02) per share of Common Stock. After giving effect to the sale by the Company of shares of Common Stock in the Offerings and the application of the estimated net proceeds therefrom to repay indebtedness under the S Distribution Notes and the Company's Credit Agreement, the pro forma net tangible book value of the Company as adjusted at June 30, 1996 would have been approximately $23.8 million, or $.57 per share. See "Company History, the Reorganization and Prior S Corporation Status" and "Use of Proceeds." This represents an immediate increase in net tangible book value of $5.59 per share to the Principal Stockholders and an immediate net tangible book value dilution of $21.43 per share to investors purchasing shares in the Offerings. The following table illustrates this per share dilution:

Assumed initial public offering price per share (1).....		$ 22.00
Net tangible book value at June 30, 1996.....	$ .16	
Increase attributable to the establishment of deferred tax assets.....	.23	
Decrease attributable to S Corporation Distribution.....	(5.41)	

Adjusted net tangible book value per share before the Offerings	(5.02)	
Increase attributable to new investors in the Offerings	5.59	
Net tangible book value, as further adjusted, per share after the Offerings (2)		.57
Dilution per share to new investors		$ 21.43

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(1) Before deducting estimated underwriting discounts and commissions and estimated expenses of the Offerings payable by the Company.

(2) Excludes approximately 5,000,000 shares of Common Stock reserved for issuance pursuant to awards under the 1996 Equity Plan and the Directors' Plan, including options to purchase 1,207,405 shares of Common Stock to be granted immediately prior to the Offerings. Of such options, 1,137,590 will have an exercise price per share equal to the initial public offering price of the Common Stock and 69,807 will have an exercise price of $21.49 per share. The Company does not anticipate recording compensation expense relating to the grant of any such options. See "Management -- Employment Agreements," "-- 1996 Equity Incentive Plan" and "-- 1996 Non-Employee Directors' Stock Option Plan."

SELECTED FINANCIAL DATA

The selected financial data set forth below have been derived from the consolidated financial statements of the Company and the related notes thereto. The statement of earnings data for the years ended December 31, 1993, 1994 and 1995 and the balance sheet data as of December 31, 1994 and 1995 are derived from the consolidated financial statements of the Company, which have been audited by KPMG Peat Marwick LLP, independent auditors and which are contained elsewhere in this Prospectus. The statement of earnings data for the years ended December 31, 1991 and 1992 and the balance sheet data as of December 31, 1991, 1992 and 1993 are derived from the consolidated financial statements of the Company, which have been audited but are not contained herein. Financial data as of June 30, 1996, and for the six month periods ended July 2, 1995 and June 30, 1996, are unaudited but, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of such data. The results of operations for the six months ended June 30, 1996 are not necessarily indicative of the results to be expected for the entire year. The following selected financial data should be read in conjunction with the Company's consolidated financial statements and the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this Prospectus.

	YEAR ENDED DECEMBER 31,					SIX MONTHS ENDED	
	1991	1992	1993	1994	1995	JULY 2, 1995	JUNE 30, 1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
STATEMENT OF EARNINGS DATA:							
Net revenue:							
Product sales (1)	$ 436,398	$ 491,978	$ 491,444	$ 507,462	$ 440,359	$ 206,579	$ 232,111
Net royalties	14,133	20,788	28,780	40,350	46,374	23,073	25,295

Total net revenue	450,531	512,766	520,224	547,812	486,733	229,652	257,406
Cost of sales	226,238	274,920	260,409	291,989	262,142	120,809	137,113
Gross profit	224,293	237,846	259,815	255,823	224,591	108,843	120,293
Selling, general and administrative expenses	119,824	127,873	145,351	138,016	141,663	66,468	72,829
Reorganization charge (2)	--	--	--	--	--	--	3,559
Earnings from operations	104,469	109,973	114,464	117,807	82,928	42,375	43,905
Interest, net	(2,108)	(1,162)	(11,735)	(16,948)	(15,957)	(7,926)	(7,291)
Non-operating income (expense)	166	2,413	2,552	322	(157)	(180)	(147)
Earnings before income taxes	102,527	111,224	105,281	101,181	66,814	34,269	36,467
Income taxes	2,695	2,856	1,810	3,540	2,895	1,275	1,598
Net earnings	$ 99,832	$ 108,368	$ 103,471	$ 97,641	$ 63,919	$ 32,994	$ 34,869
SUPPLEMENTAL STATEMENT OF EARNINGS DATA (3):							
Earnings before income taxes	$ 102,527	$ 111,224	$ 105,281	$ 101,181	$ 66,814	$ 34,269	$ 36,467
Income taxes	41,011	44,490	42,112	40,472	26,726	13,708	14,477
Net earnings	$ 61,516	$ 66,734	$ 63,169	$ 60,709	$ 40,088	$ 20,561	$ 21,990
Net earnings per share (4)					$ 1.00		$ .55
Weighted average common shares outstanding (4)					40,026		39,811

	AS OF DECEMBER 31,					AS OF JUNE 30, 1996	
	1991	1992	1993	1994	1995	ACTUAL	AS ADJUSTED (5)
	(IN THOUSANDS)						
BALANCE SHEET DATA:							
Working capital	$ 91,635	$ 114,732	$ 74,094	$ 83,127	$ 57,572	$ 84,415	$ 88,078
Total assets	214,346	226,824	181,017	207,696	202,635	229,735	237,179
Notes payable and long-term debt	21,461	8,548	189,414	156,495	123,335	152,768	141,668
Net stockholders' equity (deficiency)	149,022	167,390	(50,284)	373	10,997	6,324	24,868

(FOOTNOTES ON THE FOLLOWING PAGE)

(CONTINUED FROM PRIOR PAGE)

(1) Includes net revenue from (i) sales to discontinued wholesale accounts that the Company determined did not meet its merchandising standards of $42.3 million, $51.1 million, $32.9 million and $3.8 million for 1992, 1993, 1994 and 1995, respectively, and $3.5 million and $407,000 for the six months ended July 2, 1995 and June 30, 1996, respectively, and (ii) wholesale sales of discontinued product lines of $82.6 million, $31.7 million, $5.3 million and $1.7 million for 1992, 1993, 1994 and 1995, respectively, and $1.5 million and $345,000 for the six months ended July 2, 1995 and June 30, 1996, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- General."

(2) In contemplation of the Offerings, the Company recorded the Reorganization Charge for certain non-recurring charges related to the writedown of operating assets to be disposed of in the six months ended June 30, 1996 aggregating $3.6 million ($3.4 million (historical) and $2.2 million (supplemental and pro forma) on an after tax basis, respectively) relating to (i) disposal of two currently active remote warehouse and production facilities which are not expected to be used in the Company's operations after the Offerings, resulting in a net book loss of $2.4 million, and (ii) the net book loss of $1.2 million incurred by the Company in connection with the sale of one of its aircraft to an unaffiliated third party for $6.0 million. The effects of the Reorganization Charge have not been given pro forma effect for any of the periods presented. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Six Months Ended June 30, 1996 Compared to Six Months Ended July 2, 1995."

(3) Reflects adjustments for Federal and state income taxes as if the Company had been taxed as a C corporation rather than an S corporation.

(4) Reflects 32,682,000 shares of Common Stock outstanding prior to the Offerings and the assumed issuance of 7,344,000 and 7,129,000 shares of Common Stock at an assumed initial public offering price of $22.00 per share to generate sufficient cash to pay the S Corporation Distribution in an amount equal to retained earnings as of December 31, 1995 and June 30, 1996, respectively.

(5) The as adjusted amount includes $176.9 million of S Distribution Notes which represents the undistributed S corporation taxable earnings at June 30, 1996 that would have been distributed had the Company's S corporation status been terminated at such date, and reflects the sale of shares of Common Stock by the Company hereby at the assumed initial public offering price of $22.00 per share and the application of the estimated net proceeds therefrom to repay indebtedness of the Company, including indebtedness under the S Distribution Notes. No adjustment has been made to give effect to the Company's earned and undistributed taxable S corporation earnings for the period from July 1, 1996 through the S Termination Date, which will be distributed as part of the S Corporation Distribution. Between July 1, 1996 and the S Termination Date, the Company anticipates the increase in the S Distribution Notes to be between approximately $3.1 million and $13.1 million. See "Use of Proceeds" and "Company History, the Reorganization and Prior S Corporation Status."

SELECTED PRO FORMA FINANCIAL DATA

The selected pro forma statement of earnings data set forth below are presented for informational purposes only and may not necessarily be indicative of the results of operations of the Company as they may be in the future. The following selected pro forma financial data should be read in conjunction with the Company's consolidated financial statements and the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this Prospectus.

Amounts reflect pro forma adjustments to historical operating results for (a) the elimination of salaries and bonuses paid to the three Principal Executive Officers in excess of an aggregate of $4.9 million per year, or $1.2 million per quarter (the estimated aggregate salaries and bonuses to be paid to the Principal Executive Officers under their respective employment agreements following the Offerings), (b) the decrease in depreciation and operating costs of $2.6 million, $1.3 million and $1.2 million for the year ended December 31, 1995 and the six months ended July 2, 1995 and June 30, 1996, respectively, associated with an aircraft owned by the Company, which aircraft was sold in contemplation of the Offerings, (c) the elimination of the minority interest in GEBV and Guess Italia through the merger of Marciano International with and into the Company in connection with the Reorganization, resulting in the inclusion in net earnings of $274,000, $201,000 and $160,000 for the year ended December 31, 1995 and the six months ended July 2, 1995 and June 30, 1996, respectively, which amounts had previously been recorded as minority interest and (d) adjustments for Federal and state income taxes as if the Company had been taxed as a C corporation rather than an S corporation. See "Company History, the Reorganization and Prior S Corporation Status" and "Management -- Employment Agreements." For additional pro forma statement of earnings data for 1993, 1994 and 1995 and for the six months ended July 2, 1995 and June 30, 1996, see "Management's Discussion and Analysis of Financial Condition and Results of

Operations."

	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JULY 2, 1995	SIX MONTHS ENDED JUNE 30, 1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
PRO FORMA STATEMENT OF EARNINGS DATA:			
Net revenue:			
Product sales	$ 440,359	$ 206,579	$ 232,111
Net royalties	46,374	23,073	25,295
Total net revenue	486,733	229,652	257,406
Cost of sales	262,142	120,809	137,113
Gross profit	224,591	108,843	120,293
Selling, general and administrative expenses	136,606	63,026	69,463
Reorganization charge	--	--	3,559
Earnings from operations	87,985	45,817	47,271
Interest expense, net	(15,957)	(7,926)	(7,291)
Non-operating income, net	117	21	13
Earnings before income taxes	72,145	37,912	39,993
Income taxes	28,858	15,165	15,877
Net earnings	$ 43,287	$ 22,747	$ 24,116
Net earnings per share (1)	$ 1.08		$ .61
Weighted average common shares outstanding (1)	40,026		39,811

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(1) Amounts reflect 32,682,000 shares of Common Stock outstanding prior to the Offerings and the assumed issuance of 7,344,000 and 7,129,000 shares of Common Stock at an assumed initial public offering price of $22.00 per share to generate sufficient cash to pay the S Corporation Distribution in an amount equal to retained earnings as of December 31, 1995 and June 30, 1996, respectively.

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

The following discussion and analysis should be read in conjunction with the "Selected Financial Data" and "Selected Pro Forma Financial Data" and the Company's consolidated financial statements and the related notes thereto, which are included elsewhere in this Prospectus.

GENERAL

The Company derives its revenue and net earnings from the worldwide sale of GUESS brand products through its wholesale, retail and licensing operations. Since its inception in 1982, the Company's net revenue has grown to $486.7 million in 1995. The Company has been profitable in every year of its operations and in 1995 generated pro forma net earnings (as described herein) of $43.3 million.

The Company derives its net revenue from the sale of Guess men's and women's apparel to wholesale customers and distributors, the sale of Guess men's and women's apparel and its licensees' products through the Company's network of retail and factory outlet stores and net royalties from licensing activities. The following table sets forth the net revenue of the Company through its channels of distribution.

YEAR ENDED DECEMBER 31,	SIX MONTHS ENDED,

	1993		1994		1995		JULY 2, 1995		JUNE 30, 1996	
					(IN THOUSANDS)					
Net revenue:										
Wholesale operations.....	$348,879	67.1%	$358,125	65.4%	$270,931	55.7%	$142,427	62.0%	$144,782	56.3%
Retail operations.....	142,565	27.4	149,337	27.2	169,428	34.8	64,152	27.9	87,329	33.9
Net revenue from product sales.....	491,444	94.5	507,462	92.6	440,359	90.5	206,579	89.9	232,111	90.2
Net royalties.....	28,780	5.5	40,350	7.4	46,374	9.5	23,073	10.1	25,295	9.8
Total net revenue.....	$520,224	100.0%	$547,812	100.0%	$486,733	100.0%	$229,652	100.0%	$257,406	100.0%

WHOLESALE OPERATIONS

The Company, through its wholesale operations, designs, sources, markets and distributes its men's and women's apparel lines to wholesale customers in the United States and Italy, to international distributors and to the Company's network of retail and factory outlet stores. Wholesale operations include the Company's U.S. operations, Guess Europe and Guess Asia. Guess Europe was established in 1993 to provide a platform for increased international growth and to better service the Company's distributors and international licensees, and consists of a design studio, sales office, sourcing office and warehouse in Florence and a showroom in Milan. Ranche, which is a wholly owned subsidiary of the Company, consists of a sales office and sourcing office for the Company and a merchandising support operation for the Company's distributors and licensees. In addition, GEBV is a 50% joint venture partner in a sourcing agency located in Hong Kong.

Since its inception, net revenue from the Company's wholesale operations grew to $396.9 million in 1992. Between 1992 and 1995, net revenue from wholesale operations decreased 32%, which, to a large extent, resulted from strategic business decisions implemented beginning in late 1992, including a renewed focus within the Company's wholesale operations on the sale of its core men's and women's product lines. As a result, the Company converted the boys' product line, the majority of the girls' product line and women's knits into licensing arrangements, which became effective at various times throughout 1993. Net revenue from wholesale operations attributable to these discontinued product lines was $82.6 million, $31.7 million, $5.3 million and $1.7 million for 1992, 1993, 1994 and 1995, respectively. Net sales by such licensees, as reported to the Company, aggregated $75.6 million, $109.6 million and $99.5 million for 1993, 1994 and 1995, respectively. See Note 12 to the Company's consolidated financial statements.

Beginning in late 1993, the Company made the strategic decision to curtail distribution of its products to certain accounts which did not meet the Company's merchandising standards in order to protect the Guess image and enhance the exclusivity of the brand. Net sales to such discontinued accounts represented approximately $42.3 million, $51.1 million, $32.9 million and $3.8 million of the Company's net revenue in 1992, 1993, 1994 and 1995, respectively. In addition, the Company's net revenue declined during this period

as a result of increased competition in branded denim apparel, the then sluggish retail environment, the consolidation taking place among department store retailers and financial difficulties experienced by certain of the Company's wholesale customers.

To address the decline in net revenue from wholesale operations, the Company is pursuing a strategy to deepen the Company's product offerings, increase the number of shop-in-shops and increase sales to international distributors. Based on positive consumer reaction, the Company has introduced the GUESS COLLECTION to selected better department stores for shipment in the Fall 1996 season. In addition, the Company intends to broaden its men's and women's lines to include khaki and other twill products beginning with the 1996 holiday/resort season. In

November 1995 the Company introduced a new line of jeans under the "Bare Basics" label, with unique construction and fabrications and lower price points than traditional Guess jeans. The Company opened 18 shop-in-shops in the first quarter of 1996. The Company intends to open a total of 75 and 100 shop-in-shops in 1996 and 1997, respectively, and intends to support the introduction of the GUESS COLLECTION with a unique shop-in-shop program beginning in 1997.

RETAIL OPERATIONS

The Company's retail operations include 112 Company-operated retail and factory outlet stores primarily located in regional shopping malls in the United States, including one Company-operated retail store located in Florence, Italy. The Company's factory outlet stores serve as a distribution channel for discontinued styles, slow-moving inventory, returned goods and seconds. As of March 31, 1996, the domestic retail network included 64 retail stores located in 20 states and 47 factory outlet stores located in 27 states. The Company's strategy is to increase domestic sales by selectively expanding its network of retail stores, increasing the comparable store sales of its existing stores and closing stores that do not meet its financial objectives. Consistent with this strategy, the Company has opened two retail stores in the first quarter of 1996, and intends to open approximately five additional retail stores during the remainder of 1996 and approximately 15 additional retail stores during 1997.

The Company's retail management team recently refined the Company's strategy to improve the productivity of its retail network by establishing new models for optimal store size, design and construction costs as well as staffing levels. In addition, in late 1995, the Company began to improve the merchandising mix in its stores and implement sophisticated information systems to improve inventory control. The Company believes that the implementation of these initiatives contributed to the increase in comparable retail and factory outlet store net revenue of 16.7% in the first quarter of 1996.

The Company monitors the performance of each of its retail and factory outlet stores to ensure they meet minimum operating performance standards. Stores that do not meet these minimum standards or are unprofitable become candidates for closure. Since the beginning of 1993, the Company has closed 16 stores, including ten that were closed in 1995. During 1995, the Company recorded provisions for store closing expenses of $2.9 million and $1.0 million during the third and fourth quarters, respectively. These provisions include the costs the Company will incur in connection with completing the closure of three retail stores. The Company does not currently expect that it will be closing additional retail stores during the next 12 months. Costs of closing stores typically consist principally of lease termination costs and the write-off of certain leasehold improvements.

The following chart sets forth the store openings and closing since 1993, total average gross square footage, comparable store net revenue and net revenue per square foot.

	YEAR ENDED DECEMBER 31,			FIRST QUARTER ENDED	
	1993	1994	1995	APRIL 2, 1995	MARCH 31, 1996
Retail stores					
Beginning of period	39	36	53	53	63
Opened during period	1	19	15	1	2
Closed during period	(4)	(2)	(5)	(2)	--

End of Period	36	53	63	52	65
Factory stores					
Beginning of period	22	43	47	47	47
Opened during period	21	4	5	1	--
Closed during period	--	--	(5)	(1)	--
End of Period	43	47	47	47	47
Comparable store sales increase (decrease)	(4.0)%	(5.3)%	(7.4)%	(0.1)%	16.7%
Total average gross square footage (1)	341,000	425,000	543,000	507,000	593,000
Net revenue per average gross square foot	$ 418	$ 351	$ 312	$ 56	$ 68

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(1) Average gross square footage represents the square footage (including selling, stocking and all other areas) of the Company's stores. In the event a store was open for less than the full period presented, the average gross square footage was computed based on the percentage of time such store was open during the period.

LICENSING OPERATIONS

Guess has selectively licensed the use of its trademarks since 1982. The Company's strategy is to increase net royalties from selectively licensing the Guess name to producers of high-quality products that complement its lifestyle collection in the United States and other territories. In addition to licensing products which complement the Company's apparel products, Guess has granted licenses for the manufacture and sale of GUESS branded products similar to the Company's, including men's and women's denim and knitwear, in markets such as Canada, Argentina, Mexico, the Philippines, South Korea, Brazil and Japan. Licensing both expands distribution into new territories and broadens the spectrum of GUESS brand products. Licensed products include watches, clothing for infants and children, eyewear, footwear, activewear, home products and other fashion accessories. The Company's royalties, net of direct expenses, from such sales and nonrecurring fees increased from $28.8 million in 1993 to $46.4 million in 1995. Guess has 26 licensees, all of which are currently generating royalties. Net royalties from the four most significant licenses accounted for approximately 48.1% and 49.1% of the Company's net royalties in 1995 and the six months of 1996, respectively.

In order to maintain its reputation for quality and style and to control the integrity of the brand name, the Company's licensing department strictly monitors product design, development, merchandising and marketing and meets regularly with licensees to ensure consistency with the Company's overall strategies, and to ensure uniformity and quality control. The Company regularly reviews the financial reports provided by its licensees in order to monitor sales trends, royalty calculations and pricing policies, among other things. All GUESS brand products, advertising, promotional and packaging materials must be approved in advance by Guess. The Company operates centers in Los Angeles, Hong Kong and Milan that assist in monitoring the quality of the products and operations of its licensees, as well as its distributors, in developing their territories and products. These centers allow the Company to ensure that all licensees and distributors comply with the strict Guess quality standards.

PRO FORMA RESULTS OF OPERATIONS

The following table sets forth pro forma operating results for the periods indicated. Pro forma operating results reflect adjustments to historical operating results for (i) the elimination of salaries and bonuses paid to the Principal Executive Officers in excess of an aggregate of $4.9 million per year, or $1.2 million per quarter (the estimated aggregate salaries and bonuses to be paid to the Principal Executive Officers under their respective employment agreements following the Offerings), resulting in a decrease in compensation expense of $14.0 million, $3.3 million, $2.4 million, $2.2 million and $2.1 million for 1993, 1994, 1995 and the six months ended July 2, 1995 and June 30, 1995, (ii) the decrease in depreciation and operating costs of $2.6 million, $1.3 million and $1.2 million for the year ended December 31, 1995 and the six months ended July 2, 1995 and June 30, 1996, respectively, associated with an aircraft owned by the Company, which aircraft was sold in contemplation of the Offerings, (iii) the elimination of the minority interest in GEBV and Guess Italia through the merger of Marciano International with and into the Company in connection with the Reorganization, resulting in the inclusion in net earnings of $24,000, $280,000, $274,000, $201,000 and $160,000 for the years ended December 31, 1993, 1994 and 1995 and the six months ended July 2, 1995 and June 30, 1996, respectively, which amounts had previously been recorded as minority interest and (iv) adjustments for Federal and state income taxes as if the Company had been taxed as a C corporation rather than an S corporation. See "Company History, the Reorganization and Prior S Corporation Status" and "Management -- Employment Agreements."

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED	
	1993	1994	1995	JULY 2, 1995	JUNE 30, 1996
	(IN THOUSANDS)				
Net revenue:					
Product sales	$ 491,444	$ 507,462	$ 440,359	$ 206,579	$ 232,111
Net royalties	28,780	40,350	46,374	23,073	25,295
Total net revenue	520,224	547,812	486,733	229,652	257,406
Cost of sales	260,409	291,989	262,142	120,809	137,113
Gross profit	259,815	255,823	224,591	108,843	120,293
Selling, general and administrative expenses	127,971	131,711	136,606	63,026	69,463
Reorganization charge	--	--	--	--	3,559
Earnings from operations	131,844	124,112	87,985	45,817	47,271
Interest expense, net	(11,735)	(16,948)	(15,957)	(7,926)	(7,291)
Non-operating income, net	2,528	42	117	21	13
Earnings before income taxes	122,637	107,206	72,145	37,912	39,993
Pro forma income taxes	49,055	42,882	28,858	15,165	15,877
Pro forma net earnings	$ 73,582	$ 64,324	$ 43,287	$ 22,747	$ 24,116

The following table sets forth pro forma operating results as a percentage of net revenue for the periods indicated.

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED	
	1993	1994	1995	JULY 2, 1995	JUNE 30, 1996
Net revenue:					
Product sales	94.5%	92.6%	90.5%	90.0%	90.2%
Net royalties	5.5	7.4	9.5	10.0	9.8
Total net revenue	100.0	100.0	100.0	100.0	100.0
Cost of sales	50.1	53.3	53.9	52.6	53.3
Gross profit	49.9	46.7	46.1	47.4	46.7
Selling, general and administrative expenses	24.6	24.0	28.1	27.4	27.0
Reorganization charge	--	--	--	--	1.3

Earnings from operations	25.3	22.7	18.1	20.0	18.4
Interest expense, net	(2.3)	(3.1)	(3.3)	(3.5)	(2.8)
Non-operating income, net	0.5	0.0	0.0	0.0	0.0
Earnings before income taxes	23.5	19.6	14.8	16.5	15.6
Pro forma income taxes	9.4	7.9	5.9	6.6	6.2
Pro forma net earnings	14.1%	11.7%	8.9%	9.9%	9.4%

SIX MONTHS ENDED JUNE 30, 1996 COMPARED TO SIX MONTHS ENDED JULY 2, 1995

NET REVENUE. Net revenue increased $27.7 million or 12.1% to $257.4 million in the six months ended June 30, 1996 from $229.7 million in the six months ended July 2, 1995. Net revenue from wholesale operations increased $2.4 million to $144.8 million from $142.4 million, due principally to increased sales outside the United States of $12.1 million, partially offset by a $9.7 million decline in domestic wholesale sales. The decline in domestic wholesale sales resulted from a $3.1 million decline due to closing certain accounts and a $1.2 million decline due to the licensing out of certain apparel lines as described above. Net revenue from retail operations increased $23.1 million to $87.3 million from $64.2 million, primarily attributable to an increase of 14.4% in comparable store net revenue and from volume generated by 13 new store openings, offset by the closing of five stores. The increase in comparable store net revenue was primarily attributable to a more favorable merchandise mix and the implementation of improved inventory management systems. Net royalties increased 9.6% in the six months ended June 30, 1996 to $25.3 million from $23.1 million in the six months ended July 2, 1995. Net revenue from international operations comprised 11.6% and 6.8% of the Company's net revenue during the first six months of 1996 and 1995, respectively.

GROSS PROFIT. Gross profit increased 10.5% to $120.3 million in the six months ended June 30, 1996 from $108.8 million in the six months ended July 2, 1995. The increase in gross profit resulted from increased net royalties and increased net revenue from product sales. Gross profit as a percentage of net revenue decreased to 46.7% in the six months ended June 30, 1996 as compared to 47.4% in the six months ended July 2, 1995 primarily as a result of the growth in net revenues derived from both international and retail operations, both of which generally have relatively lower gross profit margins. Gross profit from product sales increased 10.7% to $95.0 million in the six months ended June 30, 1996 from $85.8 million in the six months ended July 2, 1995.

SG&A EXPENSES. Selling, general and administrative ("SG&A") expenses increased 9.6% in the six months ended June 30, 1996 to $72.8 million, or 28.3% of net revenue, from $66.5 million, or 28.9% of net revenue, in the six months ended July 2, 1995. On a pro forma basis, SG&A expenses would have increased 10.2% in the six months ended June 30, 1996 to $69.5 million, or 27.0% of net revenue, from $63.0 million, or 27.4% of net revenue, in the six months ended July 2, 1995. The increase in SG&A expense was primarily the

result of increased store expenses related to the expansion of the retail operation. The decrease in SG&A expenses as a percentage of net revenue was the result of fixed expenses being spread over a larger revenue base in the 1996 period.

REORGANIZATION CHARGE. In anticipation of the Offerings, in the second quarter of 1996 the Company recorded reserves for certain non-recurring charges related to the writedowns of operating assets to be disposed of $3.6 million for: (i) disposal of two currently active remote warehouse and production facilities not expected to be used in the Company's operations after the Offerings, resulting in a net book loss of $2.4 million, and (ii) the net book loss of $1.2 million incurred by the Company in connection with the sale of one of its aircraft. The above charges are based upon the net book value of the related assets as of June 30, 1996. The Company intends to relocate the warehouse and production operations located at the remote facilities to its central facility in Los Angeles in an effort to centralize its operations and improve operating efficiencies.

EARNINGS FROM OPERATIONS. Earnings from operations, including the reorganization charge described above, increased 3.6% to $43.9 million, or 17.1% of net revenue in the six months ended June 30, 1996, from $42.4 million, or 18.5% of net revenue, in the six months ended July 2, 1995. On a pro forma basis, earnings from operations would have increased 3.2% in the six months ended June 30, 1996 to $47.3 million, or 18.3% of net revenue, from $45.8 million, or 20.0% of net revenue, in the six months ended July 2, 1995. This increase resulted primarily from the increase in net revenue.

INTEREST EXPENSE, NET. Net interest expense decreased 8.0% to $7.3 million in the six months ended June 30, 1996 from $7.9 million in the six months ended July 2, 1995. This decrease resulted primarily from lower outstanding debt. For the first six months of 1996, the average debt balance was $149.3 million, with an average effective interest rate of 9.3%. For the first six months of 1995, the average debt balance was $164.8 million, with an average effective interest rate of 9.4%.

INCOME TAXES. For Federal and certain state income tax purposes, the Company has elected to be treated as an S corporation and therefore has generally not been subject to income tax on its earnings. The Company's income taxes, which represent state income taxes and foreign taxes, were $1.6 million and $1.3 million in the six months ended June 30, 1996 and July 2, 1995, respectively. The Company's S corporation status will terminate prior to the consummation of the Offerings and, therefore, the Company will be fully subject to Federal, state and foreign income taxes. On a pro forma basis, income taxes would have been $15.9 million and $15.2 million in the six months ended June 30, 1996 and July 2, 1995, respectively.

NET EARNINGS. Net earnings increased 5.7% to $34.9 million, or 13.5% of net revenue, in the six months ended June 30, 1996, from $33.0 million, or 14.4% of net revenue, in the six months ended July 2, 1995. On a pro forma basis, net earnings would have increased 6.0% to $24.1 million, or 9.4% of net revenue, in the six months ended June 30, 1996, from $22.7 million, or 9.9% of net revenue, in the six months ended July 2, 1995.

YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

NET REVENUE. Net revenue decreased $61.1 million or 11.1% to $486.7 million in 1995 from $547.8 million in 1994. Net revenue from wholesale operations decreased $87.2 million to $270.9 million from $358.1 million, including a $29.1 million decline due to closing certain accounts, and a $3.6 million decline due to the licensing out of certain apparel lines as described above. Excluding these items, net revenue from wholesale operations would have decreased $54.5 million. The principal reasons for the decrease were a $49.3 million decline in domestic sales of men's and women's apparel and a $15.5 million decrease in

off-price revenue (which represents net revenue from the liquidation of discontinued merchandise which carries lower margins), partially offset by increased sales outside the United States to international distributors of $10.3 million. The Company's domestic net sales declined during this period as a result of increased competition in branded denim apparel, the sluggish retail environment, the consolidation taking place among department store retailers and financial difficulties experienced by certain of the Company's wholesale customers. Net revenue from retail operations increased $20.1 million to $169.4 million from $149.3 million. This net increase reflects a 37.2% increase in Guess retail store net

revenue resulting from new store openings, somewhat offset by a 7.4% decline in comparable store net revenue, primarily attributable to the continued sluggish market conditions affecting the factory outlet stores. Net royalties increased 14.9% in 1995 to $46.4 million from $40.4 million in 1994. This increase was attributable to the continued growth in existing licensees' businesses as well as the addition of new licensees. Revenue from international operations (including net royalties from international licensees) comprised 6.9% and 3.7% of the Company's net revenue during 1995 and 1994, respectively.

GROSS PROFIT. Gross profit decreased 12.2% to $224.6 million in 1995 from $255.8 million in 1994. Gross profit as a percentage of net revenue decreased to 46.1% in 1995 from 46.7% in 1994. The decrease in gross profit was attributable to a $67.1 million decrease in net revenue from product sales, partially offset by a $6.0 million increase in net royalties. Gross profit from product sales decreased 17.3% to $178.2 million in 1995 from $215.5 million in 1994. During the second half of 1995, the Company recorded a provision of $3.9 million for anticipated store closing expenses. Without the $3.9 million store closure provision, gross margin would have been 46.9% of net revenue in 1995 as compared with 46.7% of net revenue in 1994, respectively.

SG&A EXPENSES. SG&A expenses increased 2.6% to $141.7 million, or 29.1% of net revenue, in 1995, from $138.0 million, or 25.2% of net revenue, in 1994. On a pro forma basis, SG&A expenses would have increased 3.7% in 1995 to $136.6 million, or 28.0% of net revenue, from $131.7 million, or 24.0% of net revenue, in 1994. This increase was primarily the result of the continued expansion of the retail division, an increase in advertising expenses and increased expenses relating to the installation and remodeling of twice as many shop-in-shops as were installed or remodeled in 1994. These increases were partially offset by reduced expenses resulting from cost containment efforts. The increase in SG&A expenses as a percentage of net revenue was the result of the above mentioned advertising and shop-in-shop expenditures being expensed as incurred together with fixed expenses being spread over a smaller revenue base during the 1995 period.

EARNINGS FROM OPERATIONS. Earnings from operations decreased 29.6% to $82.9 million, or 17.0% of net revenue in 1995, from $117.8 million, or 21.5% of net revenue, in 1994. On a pro forma basis, earnings from operations would have decreased 29.1% in 1995 to $88.0 million, or 18.1% of net revenue, from $124.1 million, or 22.7% of net revenue, in 1994. This decline primarily resulted from a decrease in net revenue, which was partially offset by higher royalty income.

INTEREST EXPENSE, NET. Net interest expense decreased 5.9% to $16.0 million for 1995 from $16.9 million in 1994. This decrease resulted from lower debt in 1995 which more than offset the effect of higher interest rates. For 1995, the average debt balance was $156.6 million, with an average effective interest rate of 9.5%. For 1994, the average debt balance was $183.2 million, with an average effective interest rate of 8.6%.

INCOME TAXES. Income taxes were $2.9 million and $3.5 million in 1995 and

1994, respectively. On a pro forma basis, income taxes would have been $26.0 million and $42.9 million in 1995 and 1994, respectively.

NET EARNINGS. Net earnings decreased 34.5% to $63.9 million, or 13.1% of net revenue, in 1995, from $97.6 million, or 17.8% of net revenue, in 1994. On a pro forma basis, net earnings would have decreased 32.7% to $43.3 million, or 8.9% of net revenue, in 1995, from $64.3 million, or 11.7% of net revenue, in 1994.

YEAR ENDED DECEMBER 31, 1994 COMPARED TO YEAR ENDED DECEMBER 31, 1993

NET REVENUE. Net revenue increased $27.6 million or 5.3% to $547.8 million in 1994 from $520.2 million in 1993. Net revenue from wholesale operations increased $9.2 million to $358.1 million from $348.9 million, including a $26.3 million decline due to the licensing of certain apparel lines previously produced by the Company and a $18.2 million decline due to closing certain accounts. Excluding these items, net revenue from wholesale operations would have increased $53.7 million. Net revenue from retail operations increased $6.7 million to $149.3 million from $142.6 million. This increase was attributable to new store openings, somewhat offset by a decline of $5.6 million or 5.3% in comparable store net revenue. This decline in comparable store net revenue was attributable to the factory outlet stores, which were affected by the severe East Coast weather in the early part of 1994, product assortment changes which were instituted in the

fall of 1993 and sluggish factory outlet market conditions. Net royalties increased 40.2% in 1994 to $40.4 million from $28.8 million in 1993. This increase was attributable to royalties from new licensees including the aforementioned boys, girls, and women's knit lines, as well as increased royalties from higher net revenue by existing licensees. Revenue from international operations comprised 3.7% and 2.7% of the Company's net revenue during 1994 and 1993, respectively.

GROSS PROFIT. Gross profit decreased 1.5% to $255.8 million in 1994 from $259.8 million in 1993. Gross profit as a percentage of net revenue decreased to 46.7% in 1994 from 49.9% in 1993. The decrease in gross profit was attributable to a $15.6 million decrease in gross profit from product sales, partially offset by an $11.6 million increase in net royalties. Gross profit from product sales decreased 6.7% to $215.5 million in 1994 from $231.0 million in 1993. This decrease reflects an increase in production costs due to changes in fabrication and processing costs, as well as higher occupancy costs as a percentage of revenue due to the opening of new retail stores.

SG&A EXPENSES. SG&A expenses decreased 5.1% to $138.0 million, or 25.2% of net revenue, in 1994, from $145.4 million, or 27.9% of net revenue, in 1993. On a pro forma basis, SG&A expenses would have increased 2.9% in 1994 to $131.7 million, or 24.0% of net revenue, from $128.0 million, or 24.6% of net revenue, in 1993. This increase was primarily attributable to the opening of a design studio in Florence, Italy and an increase in domestic design and selling expenses related to the additions of new stores.

EARNINGS FROM OPERATIONS. Earnings from operations increased 2.9% to $117.8 million, or 21.5% of net revenue in 1994, from $114.5 million, or 22.0% of net revenue, in 1993. On a pro forma basis, earnings from operations would have decreased 5.9% in 1994 to $124.1 million, or 22.7% of net revenue, from $131.8 million, or 25.3% of net revenue, in 1993.

NON-OPERATING INCOME. Non-operating income was $0.3 million for 1994 compared to $2.6 million in 1993. The non-operating income in 1993 was primarily a result of a lawsuit settlement.

INTEREST EXPENSE, NET. Net interest expense increased to $16.9 million for 1994 from $11.7 million in 1993. This increase resulted from the full year

effect of financing transactions entered into in connection with the recapitalization of the Company in August 1993, including the issuance of the Senior Subordinated Notes and borrowing under a revolving credit facility. For 1994, the average debt balance was $183.2 million, with an average effective interest rate of 8.6%. For 1993, the average debt balance was $90.5 million, with an average effective interest rate of 8.9%.

INCOME TAXES. Income taxes were $3.5 million and $1.8 million in 1994 and 1993, respectively. On a pro forma basis, income taxes would have been $42.9 million and $49.1 million in 1994 and 1993, respectively.

NET EARNINGS. Net earnings decreased 5.6% to $97.6 million, or 17.8% of net revenue, in 1994, from $103.5 million or 19.9% of net revenue, in 1993, primarily due to the increase in interest expense. On a pro forma basis, net earnings would have decreased 12.6% to $64.3 million, or 11.7% of net revenue, in 1994, from $73.6 million, or 14.1% of net revenue, in 1993.

LIQUIDITY AND CAPITAL RESOURCES

The Company has relied primarily upon internally generated funds, trade credit and bank borrowings to finance its operations and expansion and to make periodic distributions to its stockholders. As of June 30, 1996, the Company had working capital of $84.4 million, compared to $57.6 million at December 31, 1995. The $26.8 million increase in working capital primarily resulted from a $19.5 million increase in inventories, an $8.8 million increase in receivables and a $3.5 million decrease in payables, partially offset by a $5.4 million increase in accrued liabilities. The increase in inventory and receivables relates to seasonal requirements and the buildup of initial inventory of the Company's BARE BASICS line. The accounts receivable reserves aggregated $8.2 million at June 30, 1996, as compared with $8.6 million at June 30, 1995 and $10.8 million at December 31, 1995. The reduction in the reserves from December 31, 1995 to June 30, 1996 is principally due to the seasonal granting of markdowns (which are charged against the accounts receivable reserves) in the first quarter of 1996 related to product sales recorded in the fourth quarter of 1995 and is consistent with the Company's historical experience.

As part of the Company's management of its working capital, the Company performs all customer credit functions internally, including extension of credit and collections. The Company's bad debt write-offs were less than 0.5% of net revenue for the six months ended June 30, 1996 and year ended December 31, 1995.

The Company's Credit Agreement provides for a $100.0 million revolving credit facility which includes a $20.0 million sublimit for letters of credit. As of June 30, 1996, the Company had $43.0 million in outstanding borrowings under the revolving credit facility and outstanding letters of credit of $8.6 million. As of June 30, 1996, the Company had $48.4 million available for future borrowings under such facility. The revolving credit facility will expire in December 1997. In addition to the revolving credit, the Company also has a $25.0 million letter of credit facility. As of June 30, 1996, the Company had $15.3 million outstanding under this facility.

Capital expenditures, net of lease incentives granted, totaled $21.7 million for 1995 and $18.3 million for 1994. The Company estimates that its capital expenditures for 1996 will be approximately $20.0 million, primarily for the expansion of its retail stores and operations.

As a result of the Company's treatment as an S corporation for Federal and certain state income tax purposes, the Company has provided to the Principal Stockholders periodic distributions for the payment of income taxes, as well as

a return on their investment. The Company paid dividends, including amounts for taxes, of $117.7 million, $47.0 million, $53.3 million and $39.6 million in 1993, 1994, 1995 and the six months ended June 30, 1996, respectively. Prior to consummation of the Offerings, the Company will declare the S Corporation Distribution and distribute the S Distribution Notes, which notes will mature one year from the Closing Date of the Offerings. Prior to the consummation of the Offerings, the Company's S corporation status will be terminated. The Company anticipates that, after payment of the S Corporation Distribution (including repayment of the remaining balance of the S Distribution Notes), any earnings will be retained for the foreseeable future in the operations of the business. See "Company History, the Reorganization and Prior S Corporation Status" and "Dividend Policy."

Subsequent to the consummation of the Offerings, the Company's cash flow needs will decrease as a result of decreased compensation to the Principal Executive Officers and the absence of stockholder distributions for the purposes of tax payments. Offsetting these decreases will be increases related to the need to apply funds to the payment of Federal and additional state income taxes. The net effect on cash for such changes is expected to increase the Company's cash flow.

The Company anticipates that it will be able to satisfy its ongoing cash requirements through 1997, including retail and international expansion plans and interest payments on the Company's Senior Subordinated Notes, primarily with cash flow from operations, supplemented, if necessary, by borrowings under its Credit Agreement.

SEASONALITY

The Company's business is impacted by the general seasonal trends that are characteristic of the apparel and retail industries. The Company's wholesale operations generally experience stronger performance in the first and third quarters, while retail operations are generally stronger in the third and fourth quarters. As the timing of the shipment of products may vary from year to year, the results for any particular quarter may not be indicative of results for the full year. The Company has not had significant overhead and other costs generally associated with large seasonal variations.

The following table sets forth certain unaudited quarterly data for the periods shown.

	1994				1995				1996	
	FIRST QTR.	SECOND QTR.	THIRD QTR.	FOURTH QTR.	FIRST QTR.	SECOND QTR.	THIRD QTR.	FOURTH QTR.	FIRST QTR.	SECOND QTR.
	(IN THOUSANDS)									
Net revenue.....	$ 122,729	$ 119,383	$ 160,783	$ 144,917	$ 124,903	$ 104,749	$ 133,129	$ 123,952	$ 134,898	$ 122,508
Gross profit.....	59,784	53,611	79,232	63,196	59,636	49,207	59,148	56,600	64,419	55,874

INFLATION

The Company does not believe that the relatively moderate rates of inflation experienced in the United States over the last three years have had a significant effect on its net revenue or profitability. Although higher rates of inflation have been experienced in a number of foreign countries in which the Company's products are manufactured, the Company does not believe that they have had a material effect on the Company's net revenue or profitability.

EXCHANGE RATES

The Company receives United States dollars for substantially all of its product sales and its licensing revenues. Inventory purchases from offshore

contract manufacturers are primarily denominated in United States dollars; however, purchase prices for the Company's products may be impacted by fluctuations in the exchange rate between the United States dollar and the local currencies of the contract manufacturers, which may have the effect of increasing the Company's cost of goods in the future. During the last two fiscal years, exchange rate fluctuations have not had a material impact on the Company's inventory costs. The Company currently does not engage in hedging activities with respect to such exchange rate risk. See "Risk Factors -- Foreign Operations."

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 121 ("SFAS No. 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of," in March 1995 which is effective for fiscal years beginning after December 15, 1995. SFAS No. 121 establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to these assets and certain identifiable intangibles to be disposed of. Since the Company's current policy is consistent with the provisions of SFAS No. 121, it does not anticipate that the new pronouncement will impact its financial statements.

In October 1995, the FASB issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). SFAS 123 established a fair value-based method of accounting for compensation cost related to stock options and other forms of stock-based compensation plans. However, SFAS 123 allows an entity to continue to measure compensation costs using the principles of Accounting Principles Board pronouncement 25 if certain pro forma disclosures are made. SFAS 123 is effective for fiscal years beginning after December 15, 1995. The Company intends to adopt the provisions for pro forma disclosure requirements of SFAS 123 in fiscal 1996 and anticipates that SFAS 123 will not have a material impact on its financial statements. As of June 30, 1996, the Company had not issued any stock options or other instruments under which SFAS 123 would apply.

BUSINESS

INTRODUCTION

Guess, founded in 1981 by the Marciano brothers, designs, markets, distributes and licenses one of the world's leading lifestyle collections of casual apparel, accessories and related consumer products. The Company's apparel for men and women is inspired by an appreciation of the American lifestyle combined with a European flair and is marketed under the trademarks GUESS, GUESS U.S.A., GUESS? AND TRIANGLE DESIGN and GUESS COLLECTION. The lines include full collections of denim and cotton clothing, including jeans, pants, overalls, skirts, dresses, shorts, blouses, shirts, jackets and knitwear. In addition, the Company has granted licenses to manufacture and distribute a broad range of products that complement the Company's apparel lines, including watches, clothing for infants and children, eyewear, footwear, activewear, home products and other fashion accessories. The Company's product quality combined with captivating advertising images have created a global brand franchise with products that appeal to style-conscious consumers across a broad spectrum of ages. The Company generates revenue from wholesale and retail operations and licensing activities, which accounted for 56%, 35% and 9%, respectively, of net revenue in 1995. The Company's total net revenue in 1995 was $486.7 million and pro forma net earnings (as described herein) were $43.3 million.

The Company achieves premium pricing for its products by emphasizing superior styling and quality. The Company maintains rigorous control over the quality of its products by performing its own design and development work and by

closely monitoring the workmanship of its contractors and licensees. The enduring strength of the GUESS brand name and image is reinforced by the Company's consistent emphasis on innovative and distinctive design. Under the direction of Maurice Marciano, the Company's design department creates full lines of casual apparel that appeal to both men and women. During 1995, net sales of apparel for men and for women accounted for approximately 48% and 52%, respectively, of net revenue from the sale of apparel products. Each of the lines consists of a broad array of basic, recurring styles, complemented by more fashion-oriented items which reflect contemporary trends. During 1995, net sales of basic and fashion items accounted for approximately 49% and 51%, respectively, of the Company's net revenue from the sale of apparel products.

The Company seeks to reach a broad consumer base through multiple channels of distribution. As of March 31, 1996, GUESS brand products were distributed by the Company, its licensees and international distributors to better department stores and upscale specialty stores, 112 stores operated by the Company (of which 65 were retail stores and 47 were factory outlet stores) and 205 stores operated by licensees and distributors. As a critical element of its distribution to department stores, the Company and its licensees utilize shop-in-shops to enhance brand recognition, permit more complete merchandising of the lines and differentiate the presentation of GUESS products. As of December 31, 1995, the Company's and its licensees' products were sold in approximately 1,600 shop-in-shops worldwide. In order to protect the Guess image and enhance the exclusivity of the brand, the Company began in 1993 to withdraw its products from certain wholesale accounts which did not meet the Company's merchandising standards. Sales to such discontinued accounts represented approximately $51.1 million, $32.9 million and $3.8 million of the Company's net revenue in 1993, 1994 and 1995, respectively. The Company's own network of stores, in addition to providing a key opportunity for growth, allows the Company to present and merchandise its entire collection and to test market new product concepts.

The Company intends to capitalize on the worldwide recognition of its brand name and the breadth of Guess lifestyle products by expanding its international operations. The Company has established Guess Europe in Italy and Guess Asia in Hong Kong to design, source and market products in Europe and the Pacific Rim. Guess has granted licenses for the manufacture and sale of GUESS branded products similar to the Company's, including men's and women's denim and knitwear, in markets such as Canada, Argentina, Mexico, the Philippines, South Korea, Brazil and Japan. Although Guess is in the early stages of its international expansion, GUESS brand products are currently sold in over 70 countries primarily through licensees and distributors.

The desirability of the GUESS brand name among consumers has allowed the Company to selectively expand its product offerings through licensing arrangements. The Company believes its licensing strategy significantly broadens the distribution of GUESS brand products while limiting the Company's capital investment and operating expenses. The Company carefully selects its licensees, maintains strict control over the design, advertising, marketing and distribution of all licensed products in order to maintain a consistent global GUESS brand image. The Company's 26 licensees manufacture and distribute a broad array of related consumer products in the United States and international markets. The Company's most significant licenses include GUESS WATCHES, BABY GUESS, GUESS KIDS and GUESS EYEWEAR, which together accounted for approximately 48.1% of the Company's net royalties in 1995. The Company continues to capitalize on the GUESS brand image by granting licenses to introduce related products. Recently, the Company licensed the GUESS HOME COLLECTION and GUESS OUTERWEAR, as well as various accessory products.

Under Paul Marciano's direction and supervision, Guess has created a consistent, high profile image through the use of its distinctive black and white print ads. The Company's in-house Advertising Department directs the media placement of all advertising worldwide, including placement by its licensees and distributors. On numerous occasions since 1986, the Company's advertising has garnered prestigious awards for creativity and excellence, including CLIO,

BELDING and MOBIUS awards. Such awards are generally awarded on the basis of the judgment of prominent members of the advertising industry. By retaining control over its advertising programs, the Company is able to maintain the integrity of the GUESS brand image while realizing a substantial cost savings compared to the use of outside agencies. The Company requires its licensees and distributors to invest a percentage of their net sales of licensed products and net purchases of Guess products, respectively, in advertising, promotion and marketing. From 1992 through 1995, the Company's advertising expenditures, together with amounts spent by its licensees and its distributors (as reported to the Company by such licensees and distributors), exceeded $160.0 million.

BUSINESS STRATEGY

The Company's business strategy is designed to increase sales and profitability while preserving the integrity and expanding the product depth and global reach of the GUESS brand. Over the past three years, the Company has built the infrastructure necessary to support distribution and licensing of its products worldwide. To provide greater management depth, Company has recently recruited several key executives with substantial industry experience to facilitate the implementation of its business strategy, including Ken Duane, Andrea Weiss and Michael Wallen. The key elements of the strategy include:

MAINTAIN HIGH BRAND RECOGNITION. The Company intends to continue its efforts to increase its revenues by enhancing consumer recognition of its brand name and image. Under the creative leadership of Paul Marciano, the Company's award-winning advertising has established the Guess signature image and reinforced the lifestyle concept of Guess and Guess-licensed products in mutually supportive marketing campaigns. In addition to the Company's expenditures, licensees are required to spend a percentage of total revenues in advertising. The aggregate advertising expenditures of the Company and its distributors and licensees (as reported to the Company by such licensees and distributors) were $50.7 million in 1995, a 16.2% increase over 1994.

INCREASE INTERNATIONAL PRESENCE. The Company believes it is well-positioned to capitalize on the worldwide recognition of its brand name and the breadth of Guess lifestyle products by continuing to expand its distribution internationally through distributors and licensees. The Company has recently established Guess Europe in Italy and Guess Asia in Hong Kong to design, source and market products in Europe and the Pacific Rim, which will facilitate increased sales to existing and new distributors and licensees outside the United States. As of March 31, 1996, 164 Guess retail stores were operated internationally, 111 of which were operated by 13 licensees and 53 of which were operated by eight distributors. The Company has been advised by its distributors and licensees that they plan to establish approximately 35 new distributor-operated stores and approximately 21 licensee-operated stores, respectively, by the end of 1996, and approximately an additional 45 new distributor-operated stores and approximately 39 licensee-operated stores, respectively, by the end of 1997.

EXPAND LICENSING ARRANGEMENTS. The Company expects to continue to license the GUESS name selectively to producers of high quality products that complement its lifestyle collection. Since the beginning of 1993, the Company has added new licenses, which in 1995 represented approximately 30% of the Company's net royalties. Recently, the Company licensed the GUESS HOME COLLECTION and GUESS OUTERWEAR, as well as various accessory products. To maintain its reputation for quality and style and control the integrity of the brand name, the Company will continue to provide design, production and technical and marketing assistance to its licensees to ensure compliance with its strict marketing and product standards.

EXPAND RETAIL STORE NETWORK. The Company believes an expanded retail network will reinforce consumer recognition of its brand name and enhance the presentation of the complete Guess merchandise collections. Since the

beginning of 1993 through March 31, 1996, the Company has opened a total of 25 retail and 25 factory outlet stores (net of store closings). The percentage of net revenue generated by the retail network has increased from 19.3% to 38.5% of the Company's net revenue from product sales from 1992 through 1995. The Company intends to open approximately five additional retail stores during the remainder of 1996 and approximately 15 additional retail stores during 1997. The Company is currently completing the closure of three retail stores, the costs of which closures were reserved for in 1995.

DEEPEN PRODUCT OFFERINGS. The Company has recently introduced new product lines and categories to complement its existing lines. In 1993, the Company introduced in its retail stores the GUESS COLLECTION and has since expanded this collection to a full line of higher priced women's apparel that incorporates a sophisticated combination of styles and colors. In 1995 and the first quarter of 1996, the GUESS COLLECTION accounted for approximately 11.4% and 14.6%, respectively, of net revenue from the Company's stores. Based on positive consumer reaction, the Company has introduced the GUESS COLLECTION to selected better department stores for shipment in the Fall 1996 season. In addition, the Company intends to broaden its men's and women's lines to include khaki and other twill products beginning with the 1996 holiday/resort season. In November 1995 the Company introduced a new line of jeans under the "Bare Basics" label, with unique construction and fabrications and lower price points than traditional Guess jeans.

IMPROVE PRODUCTIVITY OF THE RETAIL STORE NETWORK. The Company's retail management team has recently refined the Company's strategy to improve the productivity of its retail network by establishing new models for optimal store size, design and construction costs as well as staffing levels. In addition, in late 1995, the Company began to improve the merchandising mix in its stores and implemented sophisticated information systems to improve inventory management. The Company believes that the implementation of these initiatives contributed to the increase in comparable factory outlet and retail store net revenue of 16.7% in the first quarter of 1996.

EXPAND AND UPGRADE SHOP-IN-SHOP PROGRAM. To enhance the presence of Guess products in department stores, the Company intends to develop approximately 80 new shop-in-shops in 1996 and 100 in 1997, and remodel approximately 45 additional shops in 1996 and 55 in 1997. The design of the shops utilizes the distinctive Guess advertising to promote brand recognition and differentiate the location from its competition. The shops also facilitate ease of shopping by presenting a complete presentation of the Company's merchandise. In addition, the installation of these shops enables the Company to establish premium locations within the department stores and, therefore, compete more effectively against other products.

GENERAL

The Company derives its net revenue from the sale of Guess men's and women's apparel to wholesale customers and distributors and the sale of Guess men's and women's apparel and its licensees' products through the Company's network of retail and factory outlet stores. The following table sets forth the net revenue of the Company through its channels of distribution.

	YEAR ENDED DECEMBER 31,						SIX MONTHS ENDED			
	1993		1994		1995		JULY 2, 1995		JUNE 30, 1996	
	(IN THOUSANDS)									
Net Revenue:										
Wholesale operations.....	$348,879	67.1%	$358,125	65.4%	$270,931	55.7%	$142,427	62.0%	$144,782	56.2%
Retail operations.....	142,565	27.4	149,337	27.2	169,428	34.8	64,154	27.9	87,329	33.9
Net revenue from product										

sales	491,444	94.5	507,462	92.6	440,359	90.5	206,581	89.9	232,111	90.1
Net royalties	28,780	5.5	40,350	7.4	46,374	9.5	23,074	10.1	25,295	9.9
Total net revenue	$520,224	100.0%	$547,812	100.0%	$486,733	100.0%	$229,655	100.0%	$257,406	100.0%

The following table sets forth the Company's net revenue from product sales generated through such channels of distribution by product category (licensed products represent sales of licensed products by the Company's retail and factory outlet stores).

	YEAR ENDED DECEMBER 31,					
	1993		1994		1995	
PRODUCT						
Men's apparel	$ 239,767	48.8%	$ 250,687	49.4%	$ 194,945	44.3%
Women's apparel	199,405	40.6	225,268	44.4	210,945	47.9
Licensed and other products (1)	20,608	4.2	26,172	5.2	32,766	7.4
Discontinued apparel (1)	31,664	6.4	5,335	1.0	1,703	0.4
Total (2)	$ 491,444	100.0%	$ 507,462	100.0%	$ 440,359	100.0%

(1) In late 1992, the Company entered into licensing agreements for the boys' product line, the majority of the girls' product line and women's knits, which were previously produced by the Company. While the licensing of such products reduced net revenue in 1993, the associated reduction in earnings from operations from such sales was substantially offset by the increase in net royalties from the new licenses. "Other products" represents retail operations' sales of such discontinued product lines.

(2) Beginning in 1993, the Company began to withdraw its products from selected accounts which did not meet the Company's standards for merchandising. Net product sales to discontinued accounts represented approximately $51.1 million, $32.9 million and $3.8 million of the Company's net revenue from product sales in 1993, 1994 and 1995, respectively.

PRODUCTS

COMPANY PRODUCTS. The GUESS brand was founded upon its core product line of high-quality jeans and other denim casual wear. Guess has been marketing denim apparel since its inception in 1981, and has built and maintained a global brand franchise with products that appeal to style-conscious consumers across a broad spectrum of ages. The Company was founded on the concept of a fashion jean with the first Guess product being the "three-zip Marilyn" jean, which was stone-washed and adapted to fit the contours of a woman's body. Since its inception, the Company has expanded its products to include a broad range of denim and cotton clothing for men and women, including jeans, pants, overalls, skirts, dresses, shorts, blouses, shirts, jackets and knitwear.

The Company's apparel products are organized into two primary categories: men's apparel and women's apparel (including the GUESS COLLECTION). The following table sets forth the approximate range of current retail prices for the Company's products:

WOMEN'S	RANGE OF SUGGESTED RETAIL PRICES
Jeans	$ 58 - $ 64
Shorts	39 - 52
Tops	38 - 76
Dresses	68 - 82
Pants	60 - 68
Jackets	78 - 80
Guess Collection	58 - 340

MEN'S	RANGE OF SUGGESTED RETAIL PRICES
Jeans	$ 58 - $ 72
Shorts	39 - 60
Woven Tops	40 - 78
Jackets	82 - 162
T-Shirts	22 - 88

A major portion of the Company's men's and women's apparel lines consists of basic, recurring styles which the Company believes are less susceptible to fashion obsolescence and are less seasonal in nature than fashion product styles. Basic product styles provide the Company with a base of business that usually carries over from season to season and year to year. Basic products are primarily made of denim and include jeans, skirts, dresses, overalls and shorts in a variety of fits, washes and styles. To take advantage of contemporary trends, the Company complements its basic styles with more fashion-oriented items. Fashion products range in style from contemporary sportswear to casual apparel and include colored denim items, pants, shirts, jackets and knitwear, made of a variety of materials including fine cotton, man-made fabric and leather. A limited number of best-selling fashion items in a collection may be included in one or more subsequent collections, and a select few may be added to the Company's basic styles.

In 1993, the Company expanded its line of women's apparel to include the GUESS COLLECTION, a collection of women's skirts, tops, jackets, blazers and blouses incorporating a sophisticated combination of colors and styles. The GUESS COLLECTION was introduced exclusively through Guess stores and, based upon positive consumer reaction, the Company expanded distribution of the GUESS COLLECTION to selected better department stores for shipment in the 1996 Fall season. The GUESS COLLECTION appeals to the contemporary segment of the apparel market and will generally be sold in separate selling areas from other Guess denim and casual apparel.

LICENSED PRODUCTS. The high level of desirability of the GUESS brand name among consumers has allowed the Company to selectively expand its product offerings through licensing arrangements. The Company currently has 26 licensees. Sales of licensed products (as reported to the Company by its licensees) have grown from $451.7 million in 1993 to $736.5 million in 1995. The Company's net royalties from such sales and fees from new licensees increased from $28.8 million in 1993 to $46.4 million in 1995. Approximately 48.1% of the Company's net royalties was derived from its top four licensed product lines. These product lines are GUESS WATCHES (18.9% of 1995 net royalties), BABY GUESS (12.3%), GUESS KIDS (9.2%) and GUESS EYEWEAR (7.7%).

GUESS WATCHES have been manufactured and distributed since 1983. The GUESS WATCH line includes approximately 408 styles of watches for men, women and children, and clocks. Retail prices range from approximately $55 to $125. In 1996, an upscale, higher-priced line of watches is planned to be introduced at a retail price range of $175 to $250.

The BABY GUESS and GUESS KIDS product lines include infants', boys' and girls' clothing, accessories, infant layette items and baby hair care products. These products retail for $4.50 to $70 and are sold domestically in free-standing licensed stores, better department stores and through distributors in Asia.

GUESS EYEWEAR is manufactured and distributed worldwide. The eyewear line offers styles ranging in retail price from $37 to $200. Guess eyewear is sold through optical specialty and department stores.

Guess also licenses a range of other products, including men's apparel, women's knitwear, footwear, activewear, athleticwear, leather goods, neckwear, jewelry and a home collection. Most of these licenses have been granted since

1993 and are in their early stage of development.

DESIGN

The enduring strength of the GUESS brand name and image is partially due to the Company's consistent emphasis on innovative and distinctive design. For the past 15 years, the Guess design teams have anticipated and adapted to changing consumer tastes while retaining the distinctive Guess image. Under the direction of Maurice Marciano, Guess garments are designed by an in-house staff of four design teams (men's, women's, GUESS COLLECTION and Guess Europe) located in Los Angeles and Florence, Italy. Guess design teams travel around the world in order to monitor fashion trends and discover new fabrics. Fabric shows in Europe and the United States provide additional opportunities to discover and sample new fabrics. These fabrics, together with the trends uncovered by the Company's designers serve as the primary source of inspiration for the Company's lines and collections. The Company also maintains a fashion library consisting of antique and contemporary garments as an additional source of creative concepts. In addition, design teams regularly meet with members of the sales, merchandising and retail operations to further refine the Company's products in order to meet the particular needs of the Company's markets. Many Guess products are developed using computer-aided design equipment which allows a designer to view and modify two- and three-dimensional images of a new design. By the end of 1996, the Company intends to link its Los Angeles and Florence design centers electronically so that individual designs may be accessed, modified and shared by designers in both locations. After working prototypes of each garment are prepared and reviewed, the pattern makers oversee the final production of each garment's pattern. As of March 31, 1996, the Company's design department employed 130 persons, approximately 27 of whom were designers and assistant designers.

Licensed products are designed by both the Company and its licensees. A separate design team of 12 associates works with the Company's licensees and all licensee designs must be approved by the Company to ensure consistency with the Guess image. See "-- Licensing Agreements and Terms."

DOMESTIC WHOLESALE CUSTOMERS

The Company's domestic wholesale customers consist primarily of better department stores and select upscale specialty stores, which have the image and merchandising expertise that Guess requires for the effective presentation of its products. Leading wholesale customers include Federated Department Stores, The May Department Stores Company, Dillard Department Stores, Inc. and select upscale specialty stores. As of December 31, 1995, the Company sold its products directly to approximately 2,700 retail doors in the United States and approximately 350 doors in Italy.

A key element of the Company's merchandising strategy is the shop-in-shop merchandising format, an exclusive selling area within a department store that presents a full array of Guess products using Guess signage and fixtures. As of December 31, 1995, there were approximately 1,160 shop-in-shops (excluding shop-in-shops installed by licensees) that feature Guess products (other than the GUESS COLLECTION) and the Company intends to increase the number of shop-in-shops by approximately 80 by the end of 1996 and approximately an additional 100 by the end of 1997. Guess also intends to establish GUESS COLLECTION shop-in-shops, in addition to existing shop-in-shops, in selected better department stores beginning in the Spring of 1997.

The Company's close wholesale customer relationships have been achieved through innovative and effective marketing and merchandising and superior customer service. As of March 31, 1996, the Company had 77 sales representatives and 81 merchandise coordinators. The sales representatives are located in the Company's showrooms in New York, Los Angeles, Dallas, Atlanta, Chicago, Hong Kong, Milan and Florence. They coordinate with buyers for the Company's customers to determine the inventory level and product mix that should be carried in each store to maximize retail sell-through and enhance the customers' profit margins. Such inventory level and product mix are then used as the basis for developing sales projections and product needs for each wholesale customer. In addition, Guess sales representatives monitor the inventories of customers,

which assists the Company in scheduling production. The merchandisers work with the store to ensure the Company's products are appropriately displayed.

Certain of the Company's domestic wholesale customers, including some under common ownership, have accounted for significant portions of the Company's net revenue. During 1995, Bloomingdale's, Macy's and affiliated stores owned by Federated Department Stores together accounted for approximately 11.0% of the Company's net revenue. During the same period, The May Company and Dillard's accounted for approximately 7.7% and 7.3% of the Company's net revenue, respectively. See "Risk Factors -- Dependence on Certain Customers and Licensees."

DOMESTIC RETAIL OPERATIONS

As of March 31, 1996, the Company's domestic retail operations consisted of 64 retail and 47 factory outlet stores operated directly by Guess in the United States, which principally sell GUESS label products. Guess retail stores outside the United States, with the exception of the Company-owned store in Florence, Italy, are owned and operated by the Company's distributors and licensees. See "-- International Business." Since the beginning of 1993 through March 31, 1996, the Company has opened a total of 35 retail and 30 factory outlet stores and has closed 10 retail and five factory outlet stores. The percentage of net revenue generated by the retail network has increased from 19.3% to 38.5% of the Company's net revenue from product sales from 1992 through 1995.

The Company's retail management team has recently refined the Company's strategy to improve the productivity of its retail network by establishing new models for optimal store size, design and construction costs as well as staffing levels. In addition, in late 1995, the Company began to improve the merchandising mix in its stores and implemented sophisticated information systems to improve inventory management. The Company believes that the implementation of these initiatives contributed to the increase in comparable retail and factory outlet store net revenue of 16.7% in the first quarter of 1996.

RETAIL STORES. The Company's 64 domestic retail stores typically range in size from approximately 3,400 to 8,500 square feet, with 61 locations in regional shopping malls and three stand-alone stores in areas of high foot traffic. The retail stores are located in 20 states with approximately an equal number of stores on both the East and West Coasts. Of the retail stores on the West Coast, 22 are located in California. The Company's retail stores carry a full assortment of men's and women's Guess merchandise, including most of its licensed products. Distribution through its own retail stores allows the Company to influence the merchandising and presentation of its products and to test market new product concepts. The Company's strategy is to increase its domestic sales by selectively expanding its network of retail stores and by increasing the productivity of its existing stores. Over the past year, Guess has significantly strengthened its retail operations management through the selective hiring of experienced well-respected retail professionals.

The Company intends to continue to locate its stores in regional malls with a smaller number of flagship stores in major cities. As of March 31, 1996, the Company had opened two retail stores in 1996. The Company intends to open approximately five additional retail stores during the remainder of 1996 and 15 additional retail stores during 1997. The Company is currently completing the closure of three retail stores, the costs of which closures were reserved for in 1995. The Company does not currently expect that it will be closing additional retail stores during the next 12 months.

FACTORY OUTLET STORES. The Company's 47 factory outlet stores typically range in size from approximately 2,100 to 7,500 square feet and are located in outlet malls and strip centers outside the shopping radius of the Company's

wholesale customers and its retail stores. The factory outlet stores are located in 27 states, with no major concentration in any one state. These stores sell selected styles of Guess apparel and licensed products at a discount to value-conscious customers, enabling the Company to effectively control the distribution of its excess inventory, thereby protecting the Guess image. The Company plans to open one and close one factory outlet store in 1996. The Company has no plans to open additional factory outlet stores in 1997.

INTERNATIONAL BUSINESS

Given the high level of GUESS brand awareness in countries outside the United States, the Company believes that international distribution of GUESS brand products represents a significant opportunity to

increase revenue and profits. This awareness is partially a result of the substantial international advertising undertaken by the Company in advance of distributing products to these locations. Although Guess is in the early stages of its international expansion, GUESS brand products are currently sold in over 70 countries.

Guess derives net revenue and earnings from outside the United States from three principal sources: (i) sales of GUESS brand apparel directly to 12 foreign distributors who distribute such apparel to better department stores, upscale specialty retail stores and Guess-licensed retail stores operated by Guess distributors or licensees, (ii) royalties from licensees who manufacture and distribute GUESS brand products outside the United States and (iii) sales of GUESS brand apparel by Guess Europe directly to upscale retail stores in Italy.

Since 1991, the Company has been selling its products through distributors and licensees in Asia, the Middle East and Australia. In 1993, the Company opened a design studio, sourcing office, sales office and warehouse in Italy and in 1994 began sourcing, marketing and distributing products directly in Italy and executed a distribution agreement for Spain. Recently, Guess has entered into distribution agreements for Belgium, Greece and Hungary, and is in the process of negotiating additional arrangements in Europe and elsewhere including the United Kingdom, Israel, Holland and Turkey.

As of March 31, 1996, 164 Guess retail stores were operated internationally, 111 of which were operated by 13 licensees and 53 of which were operated by eight distributors. The Company's distribution and license agreements generally provide detailed guidelines for store fittings, fixtures, merchandising and marketing programs and the appearance, merchandising and service standards of these stores are closely monitored to ensure the Guess image is maintained. The Company has been advised by its distributors and licensees that they plan to establish approximately 35 new distributor-operated stores and approximately 21 licensee-operated stores, respectively, by the end of 1996, and approximately an additional 45 new distributor-operated stores and approximately 39 licensee-operated stores, respectively, by the end of 1997. Guess also owns and operates a flagship Guess retail store located in Florence, Italy. As of December 31, 1995, there were approximately 220 shop-in-shops for GUESS brand products in stores outside the United States. See "Risk Factors -- Foreign Operations and Sourcing -- Import Restrictions."

LICENSING AGREEMENTS AND TERMS

The Company carefully selects and maintains tight control over its licensees. In evaluating a potential licensee, the Company considers the experience, financial stability, manufacturing performance and marketing ability of the proposed licensee and evaluates the marketability and compatibility of the proposed products with other GUESS brand merchandise. The Company's license agreements generally cover three years with an option to renew prior to expiration for an additional multi-year period. In addition to licensing products which complement the Company's apparel products, Guess has granted licenses for the manufacture and sale of GUESS branded products similar to the

Company's, including men's and women's denim and knitwear, in markets such as Canada, Argentina, Mexico, the Philippines, South Korea, Brazil and Japan. Licenses granted to certain licensees which have produced high-quality products and otherwise have demonstrated exceptional operating performance, such as GUESS WATCHES and BABY GUESS, have been renewed repeatedly and in some cases expanded to include new products or markets. The typical license agreement requires that the licensee pay the Company the greater of a royalty based on a percentage of the licensee's net sales of licensed products or a guaranteed minimum royalty that typically increases over the term of the license agreement. Generally, licensees are required to spend a percentage of the net sales of licensed products for advertising and promotion of the licensed products. In addition, certain foreign licensees are required to contribute toward the protection of the Company's trademarks within the territories granted to such licensees, thereby assisting Guess in its efforts to prevent counterfeiting and other trademark infringement in such countries.

The Company's licensing department strictly monitors product design, development, merchandising and marketing. All GUESS brand products, advertising, promotional and packaging materials must be approved in advance by Guess. The licensing department meets regularly with licensees to ensure consistency with Guess's overall marketing, merchandising and design strategies, and to ensure uniformity and quality control. See "Risk Factors -- Dependence upon Certain Customers and Licensees."

ADVERTISING, PUBLIC RELATIONS AND MARKETING

The Company's advertising, public relations and marketing strategy is to promote a consistent high impact image which endures regardless of changing consumer trends. Since the Company's inception, Paul Marciano has had principal responsibility for the GUESS brand image and creative vision. All worldwide advertising and promotional material is controlled through the Company's Advertising Department based in Los Angeles, while Guess Public Relations and Special Events are based in New York. GUESS JEANS, GUESS U.S.A. and GUESS INC. images have been showcased in international print campaigns in dozens of major magazines, on billboards, bus shelters and telephone kiosks, on television and most recently in movie theaters throughout the United States.

ADVERTISING. The Company's advertising strategy is designed to promote the Guess image rather than focus on specific products. The Company's distinctive black and white print advertisements have garnered prestigious awards, including CLIO, BELDING and MOBIUS awards for creativity and excellence. Such awards, which the Company has received on numerous occasions since 1986, are generally awarded on the basis of the judgment of prominent members of the advertising industry. Guess has maintained a high degree of consistency in its advertisements, using similar themes and images. The Company requires its licensees and distributors to invest a percentage of their net sales of licensed products and net purchases of Guess products, respectively, in advertising, promotion and marketing. From 1992 through 1995, the Company's advertising expenditures, together with amounts spent by its licensees and its distributors (as reported to the Company by such licensees and distributors), exceeded $160.0 million.

The Company's in-house Advertising Department is responsible for media placement of all advertising worldwide including that of its licensees. The Company uses a variety of media, primarily black and white print and outdoor advertising in various countries. The Company has focused advertisement placement in national and international contemporary fashion/beauty and lifestyle magazines including VOGUE, GLAMOUR, VANITY FAIR, HARPERS BAZAAR, ELLE, W and DETAILS. By retaining control over its advertising programs, the Company is able to maintain the integrity of the GUESS brand image while realizing substantial cost savings compared to the use of outside agencies. The Company's Advertising Department consisted of 10 employees as of March 31, 1996.

PUBLIC RELATIONS. The Company's Public Relations Department is responsible for communicating the Guess image to the public and news media worldwide. The Public Relations Department also coordinates local publicity and special events

programs for the Company and its licensees, including in-store Guess model and celebrity appearances and fashion shows. The Guess Public Relations Department consisted of seven full time employees as of March 31, 1996.

MARKETING. The Company utilizes various additional marketing tools such as corporate mailers, videos, newsletters, special events and a toll free Guess number to assist customers worldwide in finding Guess retail locations. The Company also produces 200,000 copies of the GUESS JOURNAL, a full color, oversized semi-annual magazine available in retail stores worldwide or through the Guess mailing list. The GUESS JOURNAL features trends in the arts, travel destinations, candid celebrity profiles, philanthropic events and Guess product information.

The Company further strengthens communications with customers through the WORLD OF GUESS, the Company's Internet site on the World Wide Web. This global medium enables the Company to provide timely information in an entertaining fashion on the Company's history, Guess products and store locations to consumers and allows the Company to receive and respond directly to customer feedback.

SOURCING AND PRODUCT DEVELOPMENT

The Company sources products through numerous suppliers, many of whom have established relationships with the Company. The Company seeks to achieve the most efficient means for the timely delivery of its high quality products and continues to rebalance its sourcing by region in response to increasing demand within each region. The Company's fabric specialists work with fabric mills in the United States, Europe and Asia to develop woven and knitted fabrics that enhance the products' comfort, design and appearance. For a substantial portion of the Company's apparel products, fabric purchases take place generally four to five

months prior to the corresponding selling season. Apparel production (cut, manufacture and trim) generally begins after the Company has received customer orders. Delivery of finished goods to customers occurs approximately 90 to 120 days after receipt of customers' orders.

The Company engages both domestic and foreign contractors for the production of its products. During 1995, the Company purchased approximately 77% of its raw materials, labor and finished goods in the United States, 18% in Hong Kong, Taiwan, South Korea and other Asian countries, 4% in Europe, and 1% elsewhere. The production and sourcing staffs in Los Angeles and Italy oversee all aspects of fabric acquisition, apparel manufacturing, quality control and production, as well as researching and developing new sources of supply. The Company operates product sourcing and quality control offices in Los Angeles, Hong Kong and Florence.

The Company does not own any production equipment other than cutting, silkscreen and embroidery machinery. The Company's apparel products are produced for the Company by approximately 80 different contractors. None of the contractors engaged by the Company accounted for more than 10% of the Company's total production during 1995. The Company has long-term relationships with many of its contractors, although it does not have written agreements with them. The Company uses a variety of raw materials, principally consisting of woven denim, woven cotton and knitted fabrics and yarns. The Company must make commitments for a significant portion of its fabric purchases well in advance of sales, although the Company's risk is reduced because a substantial portion of the Company's products (approximately 43% in 1995) are sewn in basic denim. See "Risk Factors -- Foreign Operations and Sourcing; Import Restrictions," and "-- Dependence on Unaffiliated Manufacturers."

QUALITY CONTROL

The Company's quality control program is designed to ensure that all of the

Company's products meet the Company's high quality standards. The Company monitors the quality of its fabrics prior to the production of garments and inspects prototypes of each product before production runs are commenced. The Company also performs random in-line quality control checks during and after production before the garments leave the contractor. Final random inspections occur when the garments are received in the Company's distribution centers. The Company currently has 25 full-time personnel engaged in quality control located in its Los Angeles office, five located in Hong Kong (who work for the joint venture) and four in Florence, including two independent contractors. The Company believes that its policy of inspecting its products at its distribution centers and at the contractors' facilities is important in maintaining the quality and reputation of its products. The Company also conducts inspections on all licensed products.

The Company permits defective garments to be authorized for return for credit by the purchasers. Less than 0.6% of the garments shipped by the Company during each of the last three years has been returned under this policy.

WAREHOUSE AND DISTRIBUTION CENTERS

The Company utilizes distribution centers at three strategically located sites. Two of the distribution centers are operated by the Company and one is operated by an independent contractor. Distribution of the Company's products in the United States is centralized in the Los Angeles facility operated by the Company. The Company also operates a distribution center in Florence to service Europe. The Company utilizes a contract warehouse in Hong Kong that services the Pacific Rim.

The Company currently intends to open a contract warehouse in Northern Europe for distribution to portions of Europe outside of Italy. The Company anticipates that such warehouse will become operational during the first half of 1997.

In order to ensure that each of its retail customers receives merchandise in satisfactory condition, substantially all Company products are processed through one of the Company's distribution centers before delivery to the retail customer. Each customer is assigned to one of the Company's distribution centers, depending on the customer's location.

At its distribution center in Los Angeles, the Company has also developed a fully integrated and automated distribution system. The bar code scanning of merchandise, picking tickets and distribution cartons, together with radio frequency communications, provide timely, controlled, accurate and instantaneous updates to the distribution information systems.

COMPETITION

The apparel industry is highly competitive and fragmented, and is subject to rapidly changing consumer demands and preferences. The Company believes that its success depends in large part upon its ability to anticipate, gauge and respond to changing consumer demands and fashion trends in a timely manner and upon the continued appeal to consumers of the Guess image. Guess competes with numerous apparel manufacturers and distributors (including Calvin Klein, Ralph Lauren, DKNY, Tommy Hilfiger and Nautica). Moreover, several well-known designers have recently entered or re-entered the designer denim market with products generally priced lower than the Company's designer jeans products. The Company's retail and factory outlet stores face competition from other retailers. Additionally, the Company encounters substantial competition from department stores, including some of the Company's major retail customers. The Company's licensed apparel and accessories also compete with a substantial number of designer and non-designer lines. Many of the Company's competitors have greater financial resources than Guess. The Company's licensed products also compete with various other well-known consumer brands. Although the level and nature of competition differ among its product categories, Guess believes that it competes on the basis of its brand image, quality of design and workmanship and product assortment.

TRADEMARKS

The Company's trademarks include GUESS?, GUESS, GUESS? AND TRIANGLE DESIGN, BABY GUESS, GUESS KIDS, GUESS U.S.A. and GUESS COLLECTION. As of March 31, 1996, the Company had more than 1,500 U.S. and international registered trademarks or trademark applications pending with the trademark offices of the United States and over 137 countries around the world. From time to time, the Company adopts new trademarks in connection with the marketing of new product lines. The Company considers its trademarks to have significant value in the marketing of its products and, since shortly after the Company's inception, has acted aggressively to register and protect its trademarks worldwide.

Like many well-known brands, the Company's trademarks are subject to infringement. Guess has a staff devoted to the monitoring and aggressive protection of its trademarks worldwide, which uses, among other things, available legal remedies to prevent unauthorized use of its trademarks.

MANAGEMENT INFORMATION SYSTEMS

The Company believes that advanced information processing is essential to maintaining its competitive position. Consequently, over the past three years (ending December 31, 1995), the Company has invested over $20.0 million in upgrading its management information systems. The Company is implementing systems which allow areas of the business to be more pro-active to customer requirements, to improve internal communication flow, to increase process efficiency, and to support management decisions.

The Company's systems provide, among other things, comprehensive order processing, production, accounting and management information for the marketing, selling, manufacturing, retailing and distribution functions of the Company's business. The Company has developed a sophisticated software program that enables the Company to track, among other things, orders, manufacturing schedules, inventory and sales of Guess products. The program includes a centralized management information system which provides the various operating departments with integrated financial, sales, inventory and distribution related information.

Computer-aided-design ("CAD") systems are utilized within both the design and marking and grading departments to develop fabrics and styles. The Company has these systems in place both domestically and internationally, allowing for this information to be shared. All style and fabric information is maintained in a line management system which streamlines communication between the design, sales and production departments.

The Company is a Quick Response ("QR") vendor which, via electronic data interchange ("EDI"), provides for customer orders to be shipped from 24 to 72 hours from the time of order receipt. The Company currently receives EDI orders on a worldwide basis, including its Singapore and London distributors. The Company's integrated and automated distribution system, utilizing bar code scanning of merchandise, pick tickets and shipping cartons, together with radio frequency communications, provide controlled, accurate, and instantaneous updates to the distribution information system.

The retail systems allow for rapid stock replenishment, concise merchandise planning, and inventory accounting and control practices. The Company has installed sophisticated point-of-sale registers in Guess retail and factory outlet stores and is in the process of installing a computer network for such stores that will enable the Company to track inventory from store receipt to final sales.

WHOLESALE BACKLOG

The Company maintains a model stock program in its basic denim products under which Guess can replenish a customer's inventory within 48 hours. Guess generally receives orders for its fashion apparel three to five months prior to

the time the products are delivered to stores. The bulk of the fashion product orders are received after test markets for the Fall and Spring seasons. As of June 30, 1996, the Company had unfilled wholesale orders, consisting primarily of orders for fashion apparel, of approximately $83.3 million, compared to $85.9 million of such orders as of July 2, 1995. Guess expects to fill substantially all of these orders in 1996. The backlog of wholesale orders at any given time is affected by a number of factors, including seasonality and the scheduling of manufacturing and shipment of products. Accordingly, a comparison of backlogs of wholesale orders from period to period is not necessarily meaningful and may not be indicative of eventual actual shipments.

EMPLOYEES

Guess believes that its employees ("associates") are one of its most valuable resources. As of March 31, 1996, there were approximately 2,600 associates. Total associates include approximately 1,100 in wholesale operations and approximately 1,500 in retail operations.

Guess is not a party to any labor agreements and none of its associates is represented by a labor union. The Company considers its relationship with its associates to be good and has not experienced any interruption of its operations due to labor disputes. In addition, the Company was among the first in the apparel industry to implement a program to monitor the compliance of subcontractors with Federal minimum wage and overtime pay requirements.

PROPERTIES

Certain information concerning Guess's principal facilities, all of which are leased, is set forth below:

LOCATION	USE	APPROXIMATE AREA IN SQUARE FEET
1444 South Alameda Street Los Angeles, California	Principal executive and administrative offices, design facilities, sales offices, distribution and warehouse facilities, production control, sourcing	514,000
1385 Broadway New York, New York	Administrative offices, public relations, showrooms	30,000
Kowloon, Hong Kong	Distribution, showrooms, licensing coordination control	3,000
Milan, Italy	Showrooms	1,800
Florence, Italy	Administrative offices, design facilities, production control, sourcing, retail, distribution and warehouse facility	17,200

The Company's corporate, wholesale and retail headquarters and its production, warehousing and distribution facilities are located in Los Angeles, California and consist of seven adjacent buildings totaling

approximately 514,000 square feet. Certain of these facilities are leased from limited partnerships in which the sole partners are the Principal Stockholders pursuant to leases that expire in July 2008. The total lease payments to these limited partnerships are $208,000 per month with aggregate minimum lease commitments at December 31, 1995 totaling approximately $32.7 million. See "Certain Transactions."

In addition, Guess leases its showrooms, advertising, licensing, sales and merchandising offices, remote warehousing facility and retail and factory outlet store locations under non-cancelable operating lease agreements expiring on various dates through November 2007. These facilities are located principally in the United States, with aggregate minimum lease commitments, at December 31, 1995, totaling approximately $135.8 million. The current terms of the Company's store leases, including renewal options, expire as follows:

YEARS LEASE TERMS EXPIRE	NUMBER OF STORES
1995-1997	3
1998-2000	9
2001-2003	22
2004-2006	65
2007-2009	11
2010-2012	2

Guess believes that its existing facilities are well maintained, in good operating condition and are adequate to support its present level of operations. See "Certain Transactions." See Notes 8 and 9 of Notes to Financial Statements for further information regarding current lease obligations.

ENVIRONMENTAL MATTERS

The Company is subject to federal, state and local laws, regulations and ordinances that (i) govern activities or operations that may have adverse environmental effects (such as emissions to air, discharges to water, and the generation, handling, storage and disposal of solid and hazardous wastes) or (ii) impose liability for the costs of clean up or other remediation of contaminated property, including damages from spills, disposals or other releases of hazardous substances or wastes, in certain circumstances without regard to fault. Certain of the Company's operations routinely involve the handling of chemicals and wastes, some of which are or may become regulated as hazardous substances. The Company has not incurred, and does not expect to incur, any significant expenditures or liabilities for environmental matters. As a result, the Company believes that its environmental obligations will not have a material adverse effect on its results of operations.

LITIGATION

Guess is a party to various claims, complaints and other legal actions that have arisen in the ordinary course of business from time to time. The Company believes that the outcome of all pending legal proceedings, in the aggregate, will not have a material adverse effect on the Company's financial condition or results of operations.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information as of July 1, 1996 concerning the directors and executive officers of the Company:

NAME	AGE	POSITION
Maurice Marciano	47	Chairman of the Board and Chief Executive Officer
Paul Marciano	44	President, Chief Operating Officer and Director
Armand Marciano	51	Senior Executive Vice President, Secretary and Director
Ken Duane	39	President of Worldwide Sales -- Corporate
Roger Williams	48	Executive Vice President and Chief Financial Officer
Andrea Weiss	41	President of Retail Operations
Michael Wallen	43	President, Retail Merchandising

Pursuant to the Stockholders' Agreement described herein under "Certain Transactions," the Principal Stockholders have agreed to vote their shares of Common Stock to elect each of Maurice, Paul and Armand Marciano, or one designee of any such person (if such designee shall be reasonably acceptable to the other Principal Stockholders), to the Board of Directors. Maurice, Paul and Armand Marciano are brothers. Maurice, Paul and Armand Marciano have worked together in the fashion industry for the last 25 years.

MAURICE MARCIANO, who was one of the founders of the Company in 1981, has served as Chairman of the Board and Chief Executive Officer of the Company since August 1993. Mr. Marciano had served as President of the Company from June 1990 to September 1992 and as Executive Vice President from 1981 until June 1990. Mr. Marciano's responsibilities include the design direction of the Company, sales and merchandising, manufacturing and production as well as financial aspects of the Company. In addition, Mr. Marciano leads the marketing side of the business with Mr. Paul Marciano. Mr. Marciano has been a Director of the Company since 1981 (except for the period from January 1993 to May 1993). From February 1993 to May 1993, Mr. Marciano was Chairman and Chief Executive Officer and a Director of Pepe Clothing USA, Inc.

PAUL MARCIANO joined the Company two months after its inception in 1981 and has served as creative director for Guess advertising worldwide since that time. He has served as President of the Company since September 1992 and as a Director of the Company since 1990. Mr. Marciano's responsibilities have included direct supervisory responsibility for international expansion, licensing, the legal department, MIS and developing the Advertising Department. Mr. Marciano is recognized for shaping the direction and look of the Company's advertising and creating the Company's signature image. Mr. Marciano served as Senior Executive Vice President of the Company from August 1990 to September 1992.

ARMAND MARCIANO joined the Company two months after its inception in 1981 and has served as Senior Executive Vice President of the Company since November 1992. Mr. Marciano has direct supervisory responsibility for the Company's domestic retail and factory outlet stores. In addition, Mr. Marciano is responsible for the manufacturing, distribution, customer service and European exports aspects of the business. Mr. Marciano has been a Director and Secretary of the Company since 1983. From July 1988 to 1992, Mr. Marciano served as Executive Vice President of the Company.

KEN DUANE joined the Company as President of Worldwide Sales -- Corporate in June 1996. From June 1990 to June 1996, Mr. Duane served as Executive Vice President Sales and Marketing for Nautica International. Mr. Duane had served as a Senior Vice President Sales and Marketing for Hugo Boss International from October 1985 to July 1990 and prior to that time was a Vice President and National Sales Manager for J. Schoeneman/Burberry's beginning June 1981.

ROGER WILLIAMS has been the Executive Vice President and Chief Financial Officer of the Company since March 1994. From October 1992 to February 1994, he served as Executive Vice President and Chief Financial Officer of The Donna Karan Company. From July 1990 to October 1992, he was Executive Vice

President -- Operations and Chief Financial Officer of Authentic Fitness Corporation, a company formed in 1990 to acquire substantially all of the Activewear division of Warnaco, Inc., where Mr. Williams served in various capacities (ending with Senior Vice President and Chief Financial Officer) from May 1986 to June 1990. Since August 1994, Mr. Williams has served as a Director of Nantucket Industries, Inc.

ANDREA WEISS joined Guess as President of Retail Operations for the Guess Retail and Factory Division in January 1996. Ms. Weiss was Senior Vice President and Director of Stores for Ann Taylor Stores and Ann Taylor Studio Shoe Stores, and an officer of Ann Taylor Stores Corporation, from July 1992 to February 1996. From March 1990 to July 1992, she was Director of Merchandise Operations for the Walt Disney World Resort, a division of The Walt Disney Company. From November 1987 to April 1990, she was Senior Vice President of Operations for the Naragansett Clothing Company, a specialty women's apparel retailer. Ms. Weiss sits on the Board of Common Ground, a non-profit organization.

MICHAEL WALLEN has been President, Retail Merchandising since May 1995. From October 1993 to April 1995, Mr. Wallen served as Executive Vice President of G. H. Bass & Company, a division of Phillips-Van Heusen Corporation. From January 1992 to August 1993, he served as President of Merchandising of Macy's West, a division of R. H. Macy & Co., Inc. From January 1988 to January 1992, Mr. Wallen

served as Senior Vice President of Macy's California, Inc., a subsidiary of R. H. Macy & Co., Inc. Mr. Wallen began his professional career with R. H. Macy & Co., Inc. in New York and spent 19 years with the firm.

BOARD OF DIRECTORS

The Company's Board of Directors is currently comprised of Maurice, Paul and Armand Marciano. Shortly following the consummation of the Offerings, the Company intends to appoint two directors who are neither officers nor employees of the Company or its affiliates and, within one year following consummation of the Offerings, to appoint an additional two such directors.

Upon the appointment of the first two additional directors, the Board of Directors will establish an Audit Committee and a Compensation Committee. The Audit Committee will be responsible for recommending to the Board of Directors the engagement of the independent auditors of the Company and reviewing with the independent auditors the scope and results of the audits, the internal accounting controls of the Company, audit practices and the professional services furnished by the independent auditors. The Compensation Committee will be responsible for reviewing and approving all compensation arrangements for officers of the Company, and will also be responsible for administering the 1996 Equity Plan.

The Company's Board of Directors is divided into three classes. Directors of each class will be elected at the annual meeting of stockholders held in the year in which the term for such class expires and will serve thereafter for three years. The first class, whose term will expire at the first annual meeting after the Offerings, currently consists of Armand Marciano; the second class, whose term will expire at the second annual meeting after the Offerings, currently consists of Paul Marciano; and the third class, whose term will expire at the third annual meeting after the Offerings, currently consists of Maurice Marciano. For further information on the effect of the classified Board of Directors, see "Description of Capital Stock -- Certain Certificate of Incorporation, Bylaws and Statutory Provisions Affecting Stockholders."

The General Corporation Law of the State of Delaware (the "Delaware Corporation Law") provides that a company may indemnify its directors and officers as to certain liabilities. The Company's Restated Certificate of Incorporation and Restated Bylaws provide for the indemnification of its directors and officers to the fullest extent permitted by law, and the Company intends to enter into separate indemnification agreements with each of its directors and officers to effectuate these provisions and to purchase directors' and officers' liability insurance. The effect of such provisions is to indemnify, to the fullest extent permitted by law, the directors and officers of the Company against all costs, expenses and liabilities incurred by them in connection with any action, suit or proceeding in which they are involved by reason of their affiliation with the Company. See "Description of Capital Stock - -- Certain Certificate of Incorporation, Bylaws and Statutory Provisions Affecting Stockholders -- Director and Officer Indemnification."

COMPENSATION OF DIRECTORS

Directors who are employees of the Company receive no compensation for serving on the Board of Directors. It is expected that directors who are not employees of the Company will receive an annual retainer fee of $15,000 for their services and attendance fees of $1,000 per meeting. All directors are reimbursed for expenses incurred in connection with attendance at board or committee meetings.

In addition, pursuant to the Directors' Plan, each non-employee director of the Company, upon joining the Board of Directors, will receive non-qualified options to purchase 10,000 shares of Common Stock and will receive non-qualified options to purchase an additional 3,000 shares of Common Stock on the first day of each fiscal year thereafter. The exercise price of such options will be equal to 85% of the fair market value of the Common Stock on the respective date of

grant, the term of the options will be ten years, and the options will become exercisable in 25% installments on each of the first four anniversaries of the date of grant. See "-- 1996 Non-Employee Directors' Stock Option Plan."

EXECUTIVE COMPENSATION

The following table sets forth each component of compensation paid or awarded to, or earned by, the Chief Executive Officer and the four most highly compensated executive officers other than the Chief Executive Officer serving as of December 31, 1995 (the "Named Executive Officers") for the fiscal years ended December 31, 1993, 1994 and 1995.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			
NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION (1)	ALL OTHER COMPENSATION (2)
Maurice Marciano	1995	$ 2,000,000	$ 1,200,000	$ 378,230	$ 2,250
Chairman of the Board and Chief	1994	2,000,000	1,950,000	438,990	2,250
Executive Officer (3)	1993	653,846	728,097	--	2,250
Paul Marciano	1995	1,560,000	900,000	192,464	2,250
President and Chief Operating	1994	1,560,000	2,250,000	343,317	2,250
Officer	1993	1,560,000	3,700,485	33,302	2,250
Armand Marciano	1995	742,306	900,000	202,512	2,250
Senior Executive Vice President	1994	600,000	1,800,000	278,041	2,250
	1993	599,997	3,700,485	32,743	2,250
Roger Williams	1995	450,000	--	30,620	2,250
Executive Vice President and Chief	1994	342,308	100,000	147,152	--
Financial Officer					
Michael Wallen (4)	1995	246,154	25,000	55,792	--
President, Retail Merchandising					

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(1) Amounts of 1995 Other Annual Compensation in excess of 25% of the total indicated for such executive officer include the following: (i) $192,256, $55,720 and $65,230 for transportation for Maurice Marciano, Paul Marciano and Armand Marciano, respectively, (ii) $179,000, $130,000, $130,000 and $18,400 for life insurance for Maurice Marciano, Paul Marciano, Armand Marciano and Roger Williams, respectively, and (iii) $55,701 for relocation and other housing related expenses for Michael Wallen.
Amounts of 1994 Other Annual Compensation in excess of 25% of the total indicated for such executive officer include the following: (i) $248,103 and $89,012 for transportation for Maurice Marciano and Paul Marciano, respectively, (ii) $184,088, $212,026 and $207,115 for life insurance for Maurice Marciano, Paul Marciano and Armand Marciano, respectively, and (iii) $119,059 for relocation and other housing related expenses for Roger Williams.
Amounts of 1993 Other Annual Compensation in excess of 25% of the total indicated for such executive officer include $33,302 and $32,743 for transportation for Paul Marciano and Armand Marciano, respectively.

(FOOTNOTES CONTINUE ON THE FOLLOWING PAGE)

(CONTINUED FROM PRIOR PAGE)

(2) Includes contributions to the Company's 401(k) Savings Plan dated January 1, 1992, by the Company for such executive officers.

(3) Mr. Marciano rejoined the Company in August 1993.

(4) Mr. Wallen joined the Company in May 1995.

EMPLOYMENT AGREEMENTS

The Company has entered into individual employment agreements (the "Executive Employment Agreements") with each of Maurice Marciano, Paul Marciano and Armand Marciano (the "Executives"). The initial term of the Executive Employment Agreements begins on the date of this Prospectus (the "Effective Date") and will terminate on the third anniversary of the Effective Date. The Executive Employment Agreements will automatically extend after the initial term for successive one-year terms, unless notice not to extend is given by either party at least 90 days prior to the end of the then current term. The Executive Employment Agreements provide for an annual base salary of $900,000, $900,000 and $650,000 for Maurice Marciano, Paul Marciano and Armand Marciano, respectively, which may be increased based on annual reviews by the Compensation Committee. In addition, the Executive Employment Agreements provide for annual bonuses to be determined in accordance with the Company's Bonus Plan (as defined below), with a minimum expected target bonus equal to 100% of base salary. Commencing on the expiration of the term of the Executive Employment Agreement, or earlier should the Executive Employment Agreement be terminated other than due to the Executive's death or for cause (as defined in the Executive Employment Agreements), the Company and Maurice Marciano, Paul Marciano or Armand Marciano, as the case may be, will enter into a two-year consulting agreement under which such Executive will render certain consulting services for which the Company will pay an annual consulting fee equal to 50% of such Executive's annual base salary, as in effect immediately prior to the commencement of the consulting period. In addition, each Executive is entitled to certain fringe benefits, including access to aircraft leased or owned by the Company and full Company-paid health and life insurance for himself and his immediate family during his lifetime. If any of the Executives is terminated without cause or resigns for good reason (as such terms are defined in the Executive Employment Agreements), then such Executive will receive as severance his then current base salary and annual target bonus for the remainder of his term of employment. The Executive will also continue to participate in Company-sponsored health, life insurance and other fringe benefit plans and programs during the severance period. Each Executive Employment Agreement further provides that upon the death or permanent disability of the Executive, such Executive (or his beneficiary) will receive a pro rata portion of his annual target bonus for the year in which the Executive's death or permanent disability occurs. The Executive Employment Agreements also include certain noncompetition, nonsolicitation and confidentiality provisions.

The Company entered into an employment agreement with Ken Duane, dated as of May 14, 1996 (the "Duane Agreement"), pursuant to which Mr. Duane will serve as President of Worldwide Sales-Corporate for a term of three years. Under the Duane Agreement, Mr. Duane is entitled to (i) a base salary of $550,000, $600,000 and $650,000 in the first, second and third years of the term, respectively; (ii) a guaranteed bonus of $250,000 in the first year of the term, a performance bonus ranging from $100,000 to $300,000 in the second year of the term and a performance bonus ranging from $100,000 to $325,000 in the third year of the term; and (iii) participation in various health, life insurance and other fringe benefit plans and programs maintained by the Company. Immediately prior to the Offerings, Mr. Duane will be granted nonqualified options to purchase an aggregate of 104,705 shares of Common Stock, consisting of options to purchase 69,807 shares at an exercise price of $21.49 per share and options to purchase 34,898 shares at an exercise price equal to the price per share at which shares are sold in the Offerings. On the date of the Offerings, Mr. Duane will be fully vested in options to purchase 34,898 shares at an exercise price of $21.49 per share. On June 3, 1998, Mr. Duane will be fully vested in options to purchase 34,909 shares at an exercise price of $21.49 per share and on June 3, 1999, Mr. Duane will be fully vested in the remaining options to purchase 34,898 shares at an exercise price equal to the initial public offering price per share. In addition, Mr. Duane will receive a cash payment of $1.0 million prior to the Offerings. The Company does not anticipate recording any compensation expense in connection with such options. If the Company terminates

Mr. Duane's employment other than for cause (as defined in the Duane Agreement), he will be entitled to the balance of the compensation described above, subject to mitigation. The Duane Agreement also includes certain confidentiality provisions.

The Company's employment agreement with Roger Williams (the "Williams Agreement"), pursuant to which Mr. Williams serves as Executive Vice President and Chief Financial Officer of the Company, expires on March 1, 1999. Under the Williams Agreement, Mr. Williams is entitled to (i) a base salary (currently $450,000 per year), subject to increase based upon an annual performance review by the Board, (ii) an annual performance bonus based upon the profitability of the Company of up to 50% of his base salary for such year and (iii) participation in various health, life insurance and other fringe benefit plans and programs maintained by the Company. Immediately prior to the Offerings, Mr. Williams will be granted nonqualified stock options to purchase 200,000 shares of Common Stock at an exercise price equal to the price per share at which shares are sold in the Offerings. Portions of Mr. Williams's stock options will vest and become exercisable each February 28 from 1997 through 1999, becoming fully exercisable as of March 1, 1999. Certain termination of employment and change of control events set forth in his employment agreement will accelerate the vesting of his stock options or enable Mr. Williams to immediately exercise his stock options to the extent then vested. In addition, if Mr. Williams's employment is terminated by the Company other than for cause, or if he resigns for good reason (as such terms are defined in the Williams Agreement), he will be entitled (i) to receive a lump sum cash payment equal to the sum of his base salary and his performance bonus for one year and (ii) to continue for the one-year period following his termination to be covered, together with his spouse and dependents, at the Company's expense, under all medical, health and accident insurance or other such health care arrangements maintained for his benefit immediately prior to such termination. Mr. Williams's employment agreement also includes certain noncompetition, nonsolicitation and confidentiality provisions.

The Company entered into an employment agreement with Andrea Weiss, dated January 22, 1996 (the "Weiss Agreement"), pursuant to which Ms. Weiss will serve as President of Retail Operations of the Company for a term of two years. Under the Weiss Agreement, Ms. Weiss is entitled to (i) a base salary (currently $375,000 per year); (ii) an annual performance bonus ranging from $125,000 to $325,000, depending on the performance of the Retail Division of the Company; and (iii) participation in various health, life insurance and other fringe benefit plans and programs maintained by the Company. The Company has an option to extend the term of employment for an additional two years. Upon consummation of the Offerings, Ms. Weiss will be eligible to participate in the 1996 Equity Plan at a level commensurate with her executive level of employment. See "--1996 Equity Incentive Plan." If Ms. Weiss's employment is terminated by the Company other than for cause at any time during the first two years of her employment, she will be entitled to the balance of her salary for the two years plus up to an additional six months' salary.

1996 EQUITY INCENTIVE PLAN

Prior to the consummation of the Offerings, the Company intends to adopt the 1996 Equity Plan. The 1996 Equity Plan will be administered by the Compensation Committee upon establishment thereof, and by the Board prior to that time (the "Committee"). The 1996 Equity Plan provides for the granting of incentive stock options (within the meaning of Section 422 of the Code) and nonqualified stock options, stock appreciation rights, restricted stock, performance units and performance shares (individually, an "Award," or collectively, "Awards") to those officers, and other key employees and consultants with potential to contribute to the future success of the Company or its subsidiaries; PROVIDED, that only employees may be granted incentive stock options. The Committee has discretion to select the persons to whom Awards will be granted (from among those eligible), to determine the type, size and terms and conditions applicable to each Award and the authority to interpret, construe and implement the

provisions of the 1996 Equity Plan; PROVIDED, that in accordance with the requirements under Section 162(m) of the Code, no participant may receive a grant of stock options or stock appreciation rights with respect to more than 500,000 shares of Common Stock in any Plan year. The Compensation Committee's decisions are binding on the Company and persons eligible to participate in the 1996 Equity Plan and all other persons having any interest in the 1996 Equity Plan. It is presently anticipated that approximately 160 individuals will initially participate in the 1996 Equity Plan.

The maximum number of shares of Common Stock that may be subject to Awards under the 1996 Equity Plan, including Awards granted concurrently with the Offerings, is 4,500,000 shares, subject to adjustment in accordance with the terms of the 1996 Equity Plan. Common Stock issued under the 1996 Equity Plan may be either authorized but unissued shares, treasury shares or any combination thereof. Any shares of Common Stock subject to an Award which lapses, expires or is otherwise terminated prior to the issuance of such shares may become available for new Awards.

The following table shows the dollar value and number of Options awarded to the individuals and groups listed below pursuant to the 1996 Equity Plan:

NEW PLAN BENEFITS
1996 EQUITY INCENTIVE PLAN

NAME	DOLLAR VALUE($)(1)	NUMBER OF OPTIONS
Maurice Marciano	--	--
Paul Marciano	--	--
Armand Marciano	--	--
Roger Williams	--	200,000(2)
Ken Duane	$ 35,602	104,705(2)
Andrea Weiss	--	75,000(3)
Michael Wallen	--	50,000(3)
Executive Group	$ 35,602	429,705
Non-Employee Director Group	--	--
Non-Executive Officer Employee Group	--	777,700(3)

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(1) Represents the aggregate value of unexercised in-the-money options as of the date of the grant, assuming an initial public offering price of the Common Stock of $22.00 per share. The Company does not anticipate recording compensation expense relating to the grant of any such options.

(2) See "-- Employment Agreements" above for the vesting schedule of such options.

(3) The date of grant of the options will be the date of the Offerings, and the exercise price per share of such options will be the initial public offering price of the Common Stock in the Offerings. Such options generally vest over three or five-year periods, depending upon the employee's length of service with the Company.

Set forth below is a description of the types of Awards which may be granted

under the 1996 Equity Plan:

STOCK OPTIONS. Options (each, an "Option") to purchase shares of Common Stock, which may be nonqualified or incentive stock options, may be granted under the 1996 Equity Plan at an exercise price (the "Option Price") determined by the Committee in its discretion, PROVIDED that the Option Price of incentive stock options may be no less than the fair market value of the underlying Common Stock on the date of grant (110% of fair market value in the case of an incentive stock option granted to a ten percent shareholder).

Options will expire not later than ten years after the date on which they are granted (five years in the case of an incentive stock option granted to a ten percent shareholder). Options become exercisable at such times and in such installments as determined by the Compensation Committee; PROVIDED that all such Options will be fully exercisable within five years after the date on which they are granted, and such exercisability may be based on (i) length of service or (ii) the attainment of performance goals established by the Committee; PROVIDED FURTHER that no Option granted before August 15, 1996 to a person who is subject to Section 16 of the Exchange Act may be exercised within the first six months following the date of grant. Subject to the preceding proviso, the Committee may also accelerate the time or times at which any or all Options held by an optionee may be exercised. Payment of the Option Price must be made in full at the time of exercise in cash, certified or bank check, or other instrument acceptable to the Committee. In the

discretion of the Committee, payment in full or in part may also be made by tendering to the Company shares of Common Stock having a fair market value equal to the Option Price (or such portion thereof), by means of a "cashless exercise" procedure to be approved by the Committee or by withholding shares of Common Stock that would otherwise have been issued to the optionee in connection with the exercise of an Option.

STOCK APPRECIATION RIGHTS. A stock appreciation right ("SAR") is an Award entitling the recipient to receive an amount equal to (or less than, if the Committee so determines at the time of grant) the excess of the fair market value of a share of Common Stock on the date of exercise over the exercise price per share specified for the SAR, multiplied by the number of shares of Common Stock with respect to which the SAR is then being exercised. An SAR granted in connection with an Option will be exercisable to the extent that the related Option is exercisable. Upon the exercise of an SAR related to an Option, the Option related thereto will be cancelled to the extent of the number of shares covered by such exercise and such shares will no longer be available for grant under the 1996 Equity Plan. Upon the exercise of a related Option, the SAR will be cancelled automatically to the extent of the number of shares covered by the exercise of the Option. SARs unrelated to an Option will contain such terms and conditions as to exercisability, vesting and duration as the Committee may determine, but such duration will not be greater than ten years. The Committee may accelerate the period for the exercise of an SAR. Payment upon exercise of an SAR will be made, at the election of the Committee, in cash, in shares of Common Stock or a combination thereof. In no event shall an SAR granted prior to August 15, 1996 be exercisable within the first six months after the date such SAR is granted, or in the case of an SAR granted prior to August 15, 1996 and in tandem with a Stock Option, within the first six months after the date of grant of the related stock option.

The Committee may grant limited stock appreciation rights (an "LSAR") under

the 1996 Equity Plan. An LSAR is an SAR which becomes exercisable only in the event of a "change in control" (as defined below). Any such LSAR will be settled solely in cash. An LSAR must be exercised within the 30-day period following a change in control.

RESTRICTED STOCK. An Award of restricted stock ("Restricted Stock") is an Award of Common Stock which is subject to such restrictions as the Committee deems appropriate, including forfeiture conditions and restrictions against transfer for a period specified by the Committee. With respect to Restricted Stock Awards made prior to August 15, 1996, a participant may not sell, assign, transfer, pledge or otherwise dispose of such an Award during the six month period commencing on the date of the Award. Restricted Stock Awards may be granted under the 1996 Equity Plan for or without consideration. Restrictions on Restricted Stock may lapse in installments based on factors selected by the Committee. The Committee, in its sole discretion, may waive or accelerate the lapsing of restrictions in whole or in part. Prior to the expiration of the restricted period, except as otherwise provided by the Committee, a grantee who has received a Restricted Stock Award has the rights of a shareholder of the Company, including the right to vote and to receive cash dividends on the shares subject to the Award. Stock dividends issued with respect to shares covered by a Restricted Stock Award will be treated as additional shares under such Award and will be subject to the same restrictions and other terms and conditions that apply to the shares with respect to which such dividends are issued.

PERFORMANCE SHARES; PERFORMANCE UNITS. A performance share Award (a "Performance Share") is an Award which represents the right to receive a specified number of shares of Common Stock upon satisfaction of certain specified performance criteria, subject to such other terms and conditions as the Committee deems appropriate. A performance unit (a "Performance Unit") is an Award of a number of units entitling the recipient to receive an amount equal to (or less than, if the Committee so determines at the time of grant) the excess of the fair market value of a share of Common Stock on the relevant date over the price per share specified for the Performance Unit, multiplied by the number of Units, upon satisfaction of certain specified performance criteria, subject to such other terms and conditions as the Committee deems appropriate. Performance objectives will be established before, or as soon as practicable after, the commencement of the performance period (the "Performance Period") and may be based on net earnings, operating earnings or income, absolute and/or relative return on equity or assets, earnings per share, cash flow, pre-tax profits, earnings growth, revenue growth, comparisons to peer companies, any combination of the foregoing and/or such other measures, including individual measures of performance, as the Committee deems

appropriate. Prior to the end of a Performance Period, the Committee, in its discretion and only under conditions which do not affect the deductibility of compensation attributable to Performance Shares or Performance Units, as the case may be, under Section 162(m) of the Code, may adjust the performance objectives to reflect an event which may materially affect the performance of the Company, a subsidiary or a division, including, but not limited to, market conditions or a significant acquisition or disposition of assets or other property by the Company, a subsidiary or a division. The extent to which a grantee is entitled to payment in settlement of a Performance Share Award or a Performance Unit Award at the end of the Performance Period will be determined by the Committee, in its sole discretion, based on whether the performance criteria have been met.

Payment in settlement of a Performance Share Award or a Performance Unit Award will be made as soon as practicable following the last day of the

Performance Period, or at such other time as the Committee may determine, in shares of Common Stock or cash, respectively.

ADDITIONAL INFORMATION. Under the 1996 Equity Plan, if there is any change in the outstanding shares of Common Stock by reason of any stock dividend, recapitalization, merger, consolidation, stock split, combination or exchange of shares or other form of reorganization, or any other change involving the Common Stock, such proportionate adjustments as may be necessary (in the form determined by the Committee) to reflect such change will be made to prevent dilution or enlargement of rights with respect to the aggregate number of shares of Common Stock for which Awards in respect thereof may be granted under the 1996 Equity Plan, the number of shares of Common Stock covered by each outstanding Award and the price per share in respect thereof. Generally, an individual's rights under the 1996 Equity Plan may not be assigned or transferred (except in the event of death).

In the event of a change in control and except as the Committee (as constituted prior to such change in control) may expressly provide otherwise: (i) all Options or SARs then outstanding will become fully exercisable as of the date of the change in control, whether or not then exercisable; (ii) all restrictions and conditions of all Restricted Stock Awards then outstanding will lapse as of the date of the change in control; (iii) all Performance Share Awards and Performance Unit Awards will be deemed to have been fully earned as of the date of the change in control and (iv) in the case of a change in control involving a merger of, or consolidation involving, the Company in which the Company is (A) not the surviving corporation (the "Surviving Entity") or (B) becomes a wholly owned subsidiary of the Surviving Entity or a parent thereof, each outstanding Option granted under the Plan and not exercised (a "Predecessor Option") will be converted into an option (a "Substitute Option") to acquire common stock of the Surviving Entity or its parent, which Substitute Option will have substantially the same terms and conditions as the Predecessor Option, with appropriate adjustments as to the number and kind of shares and exercise prices. The above notwithstanding, any Award granted before August 15, 1996 to a person who is subject to Section 16 of the Exchange Act and within six months of a change in control will not be afforded any such acceleration as to exercise, vesting and payment rights or lapsing as to conditions or restrictions. For purposes of the 1996 Equity Plan and the Directors' Plan, a "change in control" shall have occurred when (A) any person or "group" within the meaning of Sections 13(d) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than (x) the Company, any subsidiary of the Company, any employee benefit plan of the Company or of any subsidiary of the Company, or any person or entity organized, appointed or established by the Company or any subsidiary of the Company for or pursuant to the terms of any such plans or (y) Maurice Marciano, Paul Marciano or Armand Marciano, any trust established in whole or in part for the benefit of one or more of them or their family members, or any other entity controlled by one or more of them), alone or together with its affiliates and associates (collectively, an "Acquiring Person"), shall become the beneficial owner of 20% or more of either (i) the then outstanding shares of Common Stock or (ii) the combined voting power of the Company's then outstanding voting securities (except pursuant to an offer for all outstanding shares of Common Stock at a price and upon such terms and conditions as a majority of the Continuing Directors (as defined below) determine to be in the best interests of the Company and its shareholders (other than an Acquiring Person on whose behalf the offer is being made)), (B) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors and any new director (other than a director who is a representative or nominee of an Acquiring Person) whose election by the Board of Directors or nomination for election by the

Company's shareholders was approved by a vote of at least a majority of the

directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (collectively, the "Continuing Directors"), no longer constitute a majority of the Board of Directors, (C) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the Surviving Entity or a parent thereof) at least 80% of the combined voting power of the voting securities of the Company or such Surviving Entity or a parent thereof outstanding immediately after such merger or consolidation; or (D) the shareholders of the Company approve a plan of reorganization (other than a reorganization under the United States Bankruptcy Code) or complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; PROVIDED, HOWEVER, that a change in control shall not be deemed to have occurred in the event of (x) a sale or conveyance in which the Company continues as a holding company of an entity or entities that conduct all or substantially all of the business or businesses formerly conducted by the Company or (y) any transaction undertaken for the purpose of reincorporating the Company under the laws of another jurisdiction, if such transaction does not materially affect the beneficial ownership of the Company's capital stock.

The 1996 Equity Plan will remain in effect until terminated by the Board of Directors and thereafter until all Awards granted thereunder are either satisfied by the issuance of shares of Common Stock or the payment of cash or terminated pursuant to the terms of the 1996 Equity Plan or under any Award agreements. Notwithstanding the foregoing, no Awards may be granted under the 1996 Equity Plan after the tenth anniversary of the effective date of the 1996 Equity Plan. The Board of Directors may at any time terminate, modify, suspend or amend the 1996 Equity Plan; PROVIDED, HOWEVER, that no such amendment, modification, suspension or termination may adversely affect an optionee's or grantee's rights under any Award theretofore granted under the 1996 Equity Plan, except with the consent of such optionee or grantee, and no such amendment or modification will be effective unless and until the same is approved by the shareholders of the Company where such shareholder approval is required to comply with Rule 16b-3 under the Exchange Act, Section 162(m) of the Code, or other applicable law, regulation or Nasdaq National Market or stock exchange rule.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF OPTIONS. Certain of the Federal income tax consequences to optionees and the Company of Options granted under the 1996 Equity Plan should generally be as set forth in the following summary.

An employee to whom an incentive stock option ("ISO") which qualifies under Section 422 of the Code is granted will not recognize income at the time of grant or exercise of such Option. However, upon the exercise of an ISO, any excess in the fair market price of the Common Stock over the Option Price constitutes a tax preference item which may have alternative minimum tax consequences for the employee. If the employee sells such shares more than one year after the date of transfer of such shares and more than two years after the date of grant of such ISO, the employee will generally recognize a long-term capital gain or loss equal to the difference, if any, between the sale prices of such shares and the Option Price. The Company will not be entitled to a federal income tax deduction in connection with the grant or exercise of the ISO. If the employee does not hold such shares for the required period, when the employee sells such shares, the employee will recognize ordinary compensation income and possibly capital gain or loss (long-term or short-term, depending on the holding period of the stock sold) in such amounts as are prescribed by the Code and the regulations thereunder and the Company will generally be entitled to a Federal income tax deduction in the amount of such ordinary compensation income recognized by the employee.

An employee to whom a nonqualified stock option ("NSO") is granted will not recognize income at the time of grant of such Option. When such employee exercises such NSO, the employee will recognize ordinary compensation income equal to the excess, if any, of the fair market value, as of the date of Option exercise, of the shares the employee receives upon such exercise over the Option Price paid. The tax basis of such shares to such employee will be equal to the Option Price paid plus the amount, if any, includible in the employee's gross income, and the employee's holding period for such shares will commence on the date on which the employee recognizes taxable income in respect of such shares. Gain or loss upon a subsequent sale

of any Common Stock received upon the exercise of a NSO generally would be taxed as capital gain or loss (long-term or short-term, depending upon the holding period of the stock sold). Certain additional rules apply if the Option Price is paid in shares previously owned by the participant. Subject to the applicable provisions of the Code and regulations thereunder, the Company will generally be entitled to a Federal income tax deduction in respect of a NSO in an amount equal to the ordinary compensation income recognized by the employee. This deduction will, in general, be allowed for the taxable year of the Company in which the participant recognizes such ordinary income.

1996 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

Prior to the consummation of the Offerings, the Company intends to adopt the Directors' Plan. The purposes of the Directors' Plan are to attract and retain as non-employee directors individuals with superior training, experience and ability and to provide additional incentives to such individuals by giving them an opportunity to participate in the ownership of Common Stock of the Company. All directors who are not employees of the Company are eligible to participate in the Directors' Plan. It is presently anticipated that approximately four individuals will participate in the Directors' Plan.

Under the Directors' Plan, any person who is not an employee of the Company and who becomes a director either on or after the date of the Offerings will receive a non-qualified option (a "Non-Qualified Option") to purchase 10,000 shares of Common Stock on the date he or she becomes a director. In addition, on the first business day of each fiscal year of the Company, commencing January 1, 1997, while the Directors' Plan is in effect (each, an "Eligibility Date"), each non-employee director who has not been an employee of the Company at any time during the previous twelve months will receive a Non-Qualified Option to purchase 3,000 shares of Common Stock.

The aggregate number of shares of Common Stock that may be issued under the Directors' Plan is 500,000, subject to adjustment in accordance with the terms of the Directors' Plan. Common Stock issued under the Directors' Plan may be either authorized but unissued shares, treasury shares or a combination thereof. Any shares of Common Stock subject to a Non-Qualified Option which lapses, expires or is otherwise terminated without the issuance of such shares may become available for new awards.

All Non-Qualified Options granted under the Directors' Plan will vest and become exercisable in 25% installments in each of the first four anniversaries of the date of grant; PROVIDED that the participant may not exercise any Non-Qualified Option as to less than 100 shares at any one time or, if the total remaining number of shares is less than 100, the participant must exercise the entire remaining shares covered by the Non-Qualified Option. However, in the event of a "change in control" of the Company, (i) all Non-Qualified Options then outstanding will become fully exercisable and (ii) in the case of a change in control involving a merger of, or consolidation involving, the Company in which the Company is (A) not the Surviving Entity or (B) becomes a wholly owned subsidiary of the Surviving Entity or any parent thereof, each Predecessor Option will be converted into a Substitute Option to acquire common stock of the Surviving Entity or its parent, which Substitute Option will have substantially the same terms and conditions as the Predecessor Option, with appropriate

adjustments as to the number and kind of shares and exercise prices. See "--1996 Equity Incentive Plan -- Additional Information" above for the definition of "change in control." In addition, if there is any change in the outstanding shares of Common Stock by reason of any stock dividend, recapitalization, merger, consolidation, stock split, combination or exchange of shares or other form of reorganization, or any other change involving the Common Stock, such proportionate adjustments as may be necessary (in the form determined by the Board) to reflect such change will be made to prevent dilution or enlargement of rights with regard to the aggregate number of shares of Common Stock for which Non-Qualified Options in respect thereof may be granted under the Directors' Plan, the number of shares of Common Stock covered by each outstanding Non-Qualified Option and the price per share in respect thereof.

The price of the shares of Common Stock purchased upon exercise of a Non-Qualified Option will be equal to 85% of the fair market value of the Common Stock subject to such Non-Qualified Option as of the date of grant. The exercise price must be paid in full at the time of exercise in cash, certified or bank check, or other instrument acceptable to the Board of Directors. In the discretion of the Board, payment in full or in part may also be made by tendering to the Company shares of Common Stock having a fair market value

equal to the exercise price (or such portion thereof), by means of a "cashless exercise" procedure to be approved by the Board of Directors or by withholding shares of Common Stock that would otherwise have been issued to the optionee upon the exercise of the Non-Qualified Option. The Company may also loan optionees sufficient funds to exercise any Non-Qualified Option.

ADDITIONAL INFORMATION. Non-Qualified Options granted or to be granted under the Directors' Plan are nontransferable. Each Non-Qualified Option granted will expire ten years from the date of grant and cannot be exercised after that time. In addition, if any participant ceases to be an eligible director for any reason other than death or disability, any Non-Qualified Option held by such participant may thereafter be exercised, to the extent it was exercisable at the time of termination, for a period of six months from the time of termination or the expiration of the stated term of such Non-Qualified Option, whichever period is shorter; PROVIDED, HOWEVER, that if such participant dies within such six-month period, any unexercised Non-Qualified Options held by such participant will be exercisable, to the extent exercisable at the time of death, for a period of one year from the date of such death or until the expiration of the stated term of any such Non-Qualified Option, whichever period is shorter. If any participant ceases to be an eligible director by reason of death or disability, any Non-Qualified Option held by such participant may thereafter be exercised, to the extent it was exercisable at the time of termination, for a period of one year from the date of such termination or until the expiration of the stated term of such Non-Qualified Option, whichever period is shorter; PROVIDED, that if a participant who is disabled dies within such one-year period, any unexercised Non-Qualified Option held by such participant will thereafter be exercisable, to the extent it was exercisable at the time of death, for a period of one year from the date of such death or until the expiration of the stated term of such Non-Qualified Option, whichever period is shorter.

Unless it is terminated at an earlier date by the Board of Directors, the Directors' Plan shall terminate ten years after the date Non-Qualified Options are first granted under the Directors' Plan.

The Board of Directors has full and exclusive discretionary authority to revise administrative rules and guidelines governing the Directors' Plan, to interpret the terms of the Directors' Plan and related agreements, to delegate its responsibility and authority under the Directors' Plan, and to generally

supervise the administration of the Directors' Plan. In addition, the Board of Directors may amend, alter, suspend or discontinue the Directors' Plan at any time; PROVIDED, that the Board of Directors may not act to impair the rights of plan participants pursuant to Non-Qualified Options previously granted under the Directors' Plan without the optionee's consent. No amendment, alteration, suspension or termination will be effective unless and until the same is approved by the shareholders of the Company where such shareholder approval is required to comply with applicable law.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF NON-QUALIFIED OPTIONS. Although no Federal income tax liability accrues to a participant at the time a Non-Qualified Option is granted, the participant must recognize ordinary compensation income in the year in which the Non-Qualified Option is exercised equal to the amount by which the fair market value of the purchased shares on the date of exercise exceeds the exercise price. The tax basis of such shares to such participant will be equal to the exercise price paid plus the amount includible in the participant's gross income, and the participant's holding period for such shares will commence on the date on which the participant recognizes taxable income in respect of such shares. Gain or loss upon a subsequent sale of any Common Stock received upon the exercise of a Non-Qualified Option generally would be taxed as capital gain or loss (long-term or short-term, depending upon the holding period of the stock sold). Certain additional rules apply if the exercise price for a Non-Qualified Option is paid in shares previously owned by the participant.

Subject to the applicable provisions of the Code and regulations thereunder, the Company will generally be entitled to an income tax deduction equal to the amount of ordinary compensation income the participant recognizes in connection with the exercise of any Non-Qualified Option. The deduction will, in general, be allowed for the taxable year of the Company in which the participant recognizes such ordinary compensation income.

ANNUAL INCENTIVE BONUS PLAN

Prior to the consummation of the Offerings, the Company intends to adopt an Annual Incentive Bonus Plan (the "Bonus Plan") which will be administered by the Compensation Committee after the Offerings.

Participation is based upon individual selection by the Compensation Committee from among key employees who, in the judgment of the Compensation Committee, are in a position to have a significant impact on the performance of the Company. It is anticipated that approximately 100 individuals will participate in the Bonus Plan. Awards are based upon the extent to which the Company's financial performance (in terms of net earnings, operating income, earnings per share, cash flow, absolute and/or relative return on equity or assets, pre-tax profits, earning growth, revenue growth, comparison to peer companies, any combination of the foregoing and/or other appropriate measures in such manner as the Compensation Committee deems appropriate) during the year has met or exceeded certain performance goals specified by the Compensation Committee. Some performance goals applicable to participants may include elements which specify individual achievement objectives directly related to such individual's areas of responsibility. In determining whether performance goals have been satisfied, the Compensation Committee in its discretion may direct that adjustments be made to the performance goals or actual financial performance as reported to reflect extraordinary changes that have occurred during the year. The Compensation Committee may alternatively grant a discretionary bonus. In the event a participant terminates employment prior to the end of a year for any reason other than disability, retirement or death, no award under the Bonus Plan will be paid for such year unless otherwise determined by the Compensation Committee in its sole discretion. If employment terminates by reason of disability, retirement or death, the participant will be entitled to receive a PRO RATA award.

Because the performance goals under the Bonus Plan are determined by the Compensation Committee in its discretion, it is not possible to determine the

benefits and amounts that will be received by any individual participant or group of participants in the future.

The Board of Directors may terminate, modify or suspend the Bonus Plan, in whole or in part, at any time; provided that no such termination or modification may impair any rights which may have accrued under such Plan.

401(K) SAVINGS PLAN

On January 1, 1992, the Company established the Guess ? Inc. Savings Plan (the "Savings Plan") under Section 401(k) of the Code. Under the Savings Plan, associates may contribute up to 15% of their compensation per year subject to the elective limits as defined by guidelines of the Internal Revenue Service (the "IRS") and the Company may make matching contributions in amounts not to exceed 1.5% of the associates' annual compensation. The Company's contributions to the Savings Plan during the years ended December 31, 1993, 1994 and 1995 aggregated $221,000, $213,000 and $261,000, respectively. Contributions to the Savings Plan during the six months ended July 2, 1995 and June 30, 1996 aggregated $132,000 and $134,000, respectively.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Company did not have a Compensation Committee during 1995, but each of Maurice, Paul and Armand Marciano (each of whom also served as an executive officer of the Company during 1995) participated in deliberations concerning executive compensation. See "Certain Transactions" immediately below for information regarding related-party transactions involving each of Maurice, Paul and Armand Marciano.

CERTAIN TRANSACTIONS

The Company is engaged in various transactions with entities affiliated with the Marciano Trusts and the other Principal Stockholders. The Company believes that each of the transactions discussed below was entered into on terms no less favorable to the Company than could have been obtained from an unaffiliated third party.

LICENSE ARRANGEMENTS AND LICENSEE TRANSACTIONS

On January 1, 1995, the Company entered into a licensing agreement with Charles David of California ("Charles David"). This new agreement superseded a prior license agreement dated September 28, 1990 and amended in May 1993. The Marciano Trusts and Nathalie Marciano (the spouse of Maurice Marciano) together own 50% of Charles David, and the remaining 50% is owned by the father-in-law of Maurice Marciano. The license agreement grants Charles David the rights to manufacture worldwide and distribute worldwide (except Japan) men's, women's and some children's leather and rubber footwear, excluding athletic footwear, which bear the GUESS logo and trademark. The license also includes related shoe care products and accessories. Gross royalties earned by the Company under such license agreement for the fiscal years ended December 31, 1993, 1994 and 1995, and for the six months ended June 30, 1996, was $1.7 million, $1.9 million, $2.1 million and $858,000, respectively. In the same respective periods, the Company purchased $3.7 million, $4.8 million, $6.4 million and $2.7 million of products from Charles David for resale in the Company's retail stores.

On September 1, 1994, the Company entered into a licensing agreement with California Sunshine Active Wear, Inc. ("California Sunshine"), granting it the rights to manufacture and distribute certain men's and women's activewear, which bear the GUESS logo and trademark, in the United States. The Marciano Trusts

together own 51% of California Sunshine. Gross royalties earned by the Company under such license agreement for the fiscal years ended December 31, 1994 and 1995, and for the six months ended June 30, 1996, was $0, $342,000 and $350,000, respectively. In the same respective periods, the Company purchased $0, $254,000 and $332,000 of products from California Sunshine for resale in the Company's retail stores.

Effective January 1, 1995, the Company entered into a licensing agreement with Guess Italia, S.r.l. ("Guess Italia"), granting it the exclusive right in Italy and non-exclusive right in other parts of Europe to manufacture and distribute men's and women's apparel and accessories that bear the GUESS logo and trademark. Guess Italia is owned 79% by the Company and 21% by Marciano International, a company wholly owned by the Marciano Trusts that is to be merged into the Company as part of the Reorganization. Gross royalties earned by the Company under such license agreement for the fiscal year ended December 31, 1995 and for the six months ended June 30, 1996 was $505,000 and $266,000, respectively. During 1993, 1994 and 1995 and the six months ended June 30, 1996, the Company purchased $0, $0, $511,000 and $251,000 of products from Guess Italia for resale in the retail division's stores. The Company sold $0, $1.1 million, $411,000 and $94,000 of products to Guess Italia during 1993, 1994, 1995 and the six months ended June 30, 1996, respectively. The Company will pay the Marciano Trusts an aggregate of $300,000 in connection with the merger of Marciano International into the Company.

During 1993 and 1994, the Company made advances to Guess Italia of $193,000 and $989,000, respectively. These advances were subsequently recorded as additional paid-in capital.

On December 1, 1992, the Company entered into a licensing agreement with Nantucket Industries, Inc. ("Nantucket Industries") granting it the right to distribute and manufacture men's and women's innerwear, which bear the GUESS logo and trademark, in the United States. The Marciano Trusts together own 8.9% of Nantucket Industries. Gross royalties earned by the Company under such license agreement for the fiscal years ended December 31, 1993, 1994 and 1995, and for the six months ended June 30, 1996, was $47,000, $214,000, $264,000 and $157,000, respectively. In the same respective periods, the Company purchased $23,000, $201,000, $505,000 and $313,000 of products from Nantucket Industries for resale in the Company's retail stores.

PURCHASING AGENCY AGREEMENT

On May 3, 1994, the Company entered into an agreement with Ranche to serve as a non-exclusive buying agent for the Company in Hong Kong, which agreement was terminated in the first quarter of 1996 when certain of Ranche's assets were transferred to Newtimes Guess Ltd., a Hong Kong corporation ("Newtimes") in which the Marciano Trusts, through their ownership of Marciano International, and the Company hold indirect ownership interests of 25% and 25%, respectively. Ranche is currently a wholly owned subsidiary of GEBV. In the fiscal year ended December 31, 1995, and in the six months ended June 30, 1996, Ranche earned commission income from the Company of $1.3 million and $192,000, respectively, in connection with supplying product. In addition, Ranche operates under a licensing arrangement to distribute product to authorized distributors. Gross royalties earned by the Company under such license for the fiscal year ended December 31, 1995, and for the six months ended June 30, 1996, was $240,000 and $133,000, respectively.

In February 1996, the Company entered into a buying agency agreement with Newtimes. Pursuant to such agreement, the Company pays Newtimes a commission based upon the price of all raw materials purchased for the Company by Newtimes. As of June 30, 1996, the Company had paid Newtimes aggregate commissions of $186,000. In connection with the Reorganization, the Marciano Trusts' indirect interest in Newtimes will be transferred to the Company.

SALE/LEASEBACK TRANSACTION

On July 29, 1992, the Company sold its corporate and distribution facility in Los Angeles to a limited partnership in which the sole partners were the then existing stockholders under a sale/leaseback arrangement. The facility was sold for $24 million, of which $13 million was received in cash upon closing of escrow. The balance of $11 million was paid by issuance of a promissory note due in July 1994. The note was repaid in February 1993. The limited partnership obtained additional financing for its purchase of the facility through a loan from an institutional third party lender. The loan is secured by the partnership's interest in the facility and in the lease with the Company. Pursuant to the lease, the Company has agreed to indemnify the partnership against certain losses that may be incurred in connection with such loan. In August 1993, the partnership acquired and retired Georges Marciano's beneficial interest in such partnership, and the corporate general partner in such partnership redeemed Georges Marciano's beneficial interest in the corporate general partner.

LEASES

The Company leases warehouse and administrative facilities and one retail administrative facility from partnerships affiliated with the Marciano Trusts. The leases will expire in July 2008. Aggregate lease payments under such leases for the fiscal years ended December 31, 1993, 1994 and 1995 and the fiscal six months ended June 30, 1996 were $2.1 million, $2.6 million, $2.8 million and $1.3 million, respectively.

LOANS TO EXECUTIVE OFFICERS

In 1995, the Company loaned Mr. Wallen the sum of $200,000 at an annual interest rate of 7% in connection with certain moving expenses. This loan is scheduled to be repaid on August 31, 1999, with interest on the loan payable in four annual installments commencing August 31, 1996. If Mr. Wallen is an employee in good standing on August 31, 1996, the first interest payment will be waived.

In 1994, the Company loaned Mr. Williams the sum of $400,000 in connection with certain moving expenses. The loan has been repaid in full.

OTHER TRANSACTION

On December 31, 1993, the Company wrote off a current note receivable (including accrued interest) in the amount of $521,000 from G&C Entertainment, Inc. ("G&C"), a corporation engaged in television and record production development. The Company acquired its 51% interest in equity of G&C in January 1993 from trusts for the benefit of Georges Marciano and Paul Marciano who were G&C's sole stockholders prior to such acquisition. G&C was dissolved in 1994.

STOCKHOLDERS' AGREEMENT

Prior to consummation of the Offerings, the Principal Stockholders and the Company will amend and restate the Amended and Restated Shareholders' Agreement dated November 12, 1993 (the "Stockholders' Agreement"). Pursuant to the Stockholders' Agreement, the Principal Stockholders have agreed to vote their shares of Common Stock to elect each of Maurice, Paul and Armand Marciano, or one designee of any such person (if such designee shall be reasonably acceptable

to the other Principal Stockholders) to the Board of Directors. The Stockholders' Agreement provides that each of the Principal Stockholders has granted to each other and to the Company rights of first refusal with respect to the sale of any shares of the Company's outstanding Common Stock (with certain limited exceptions).

PURCHASE AGREEMENT

On August 23, 1993, the Company repurchased 95% of the shares of Common Stock then held by Georges Marciano for a price of $203.5 million and a trust for the benefit of Paul Marciano purchased the remaining 5% of such shares for a price of $10.7 million. The purchase price for such shares was determined by negotiation among the Company, the Marciano Trusts and Georges Marciano. Among the factors considered in determining the purchase price were the past and present operations of the Company, the prospects for future earnings of the Company and other relevant factors. In connection with such repurchase, the Company and the Marciano Trusts agreed to release and indemnify Georges Marciano and the Georges Marciano Trust from and against any claims relating to certain specified matters, including the Company, its management, financing, operations and personnel, and the offer and sale of the Company's Senior Subordinated Notes. Any claim for such indemnity will be in the first instance the responsibility of the Company. As consideration for such indemnity and release, Georges Marciano and the Georges Marciano Trust released the Company and the Marciano Trusts from any claim relating to certain specified matters, including the Company, its management, financing, operations and personnel (other than certain excluded matters). In addition, the Company canceled the existing license agreement between it and an affiliate of Georges Marciano with respect to the GEORGES MARCIANO-Registered Trademark- trademarks, effective August 23, 1994, and agreed to assign to such affiliate all of the Company's right, title and interest in the GEORGES MARCIANO-Registered Trademark- trademarks, but reserved the right to use such trademarks until August 23, 1994. As consideration for such assignment, Georges Marciano agreed to refrain from any use of the GEORGES MARCIANO-Registered Trademark- trademarks until August 23, 1995.

PRINCIPAL STOCKHOLDERS

The following table and the notes thereto set forth information, as of the date of this Prospectus, relating to beneficial ownership (as defined in Rule 13d-3 of the Exchange Act) of the Company's equity securities and each Principal Stockholder:

	BENEFICIAL OWNERSHIP OF COMMON STOCK PRIOR TO THE OFFERINGS (1)		BENEFICIAL OWNERSHIP OF COMMON STOCK AFTER THE OFFERINGS (1)	
NAME OF BENEFICIAL OWNERS	NUMBER	PERCENT	NUMBER	PERCENT
Maurice Marciano (2)	14,812,252	45.3%	14,812,252	35.4%
Paul Marciano (3)	12,062,736	36.9	12,062,736	28.8
Armand Marciano (4)	5,806,831	17.8	5,806,831	13.8
All directors and executive officers as a group (7 persons)	32,681,819	100.0%	32,681,819	78.0%

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(1) The address of each person listed above is c/o Guess ?, Inc., 1444 South Alameda Street, Los Angeles, California 90021. Subject to the Amended and Restated Stockholders' Agreement dated as of August 1, 1996 and applicable community property laws and similar laws, each person listed above has sole voting and investment power with respect to such shares.

(2) Includes shares beneficially owned by Maurice Marciano as follows: 13,072,727 shares as trustee of the Maurice Marciano Trust (1995 Restatement) with respect to which he has sole voting and investment power; 1,094,332 shares as co-trustee of the Paul Marciano 1996 Grantor Retained Annuity Trust with respect to which he shares voting and investment power; and 645,193 shares as co-trustee of the Armand Marciano 1996 Grantor Retained Annuity Trust with respect to which he shares voting and investment power.

(3) Includes shares beneficially owned by Paul Marciano as follows: 10,502,443 shares as trustee of the Paul Marciano Trust dated February 20, 1986 with respect to which he has sole voting and investment power; and 1,560,293 shares as co-trustee of the Maurice Marciano 1996 Grantor Retained Annuity Trust with respect to which he shares voting and investment power.

(4) Includes shares beneficially owned by Armand Marciano as trustee of the Armand Marciano Trust dated February 20, 1986 with respect to which he has sole voting and investment power.

SHARES ELIGIBLE FOR FUTURE SALE

Upon the consummation of the Offerings, the Company will have 41,882,000 shares of Common Stock outstanding. Of these shares, the 9,200,000 shares of Common Stock sold by the Company in the Offerings will be freely tradeable without restriction or further registration under the Securities Act, unless held by an "affiliate" of the Company (as that term is defined below). Any such affiliate will be subject to the resale limitations of Rule 144 adopted under the Securities Act. The remaining 32,682,000 shares of Common Stock outstanding are "restricted securities" for purposes of Rule 144 and are held by "affiliates" of the Company within the meaning of Rule 144 under the Securities Act. Restricted securities may not be resold in a public distribution except in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom, including the exemption provided by Rule 144. The Principal Stockholders have contractual rights to demand or participate in future registrations of shares of Common Stock under the Securities Act.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated), including a person who may be deemed to be an "affiliate" of the Company as that term is defined under the Securities Act, is entitled to sell within any three month period a number of shares beneficially owned for at least two years that does not exceed the greater of (i) 1% of the then outstanding shares of Common Stock or (ii) the average weekly trading volume of the outstanding shares of Common Stock during the four calendar weeks preceding such sale. Sales under Rule 144 are also subject to certain requirements as to the manner of sale, notice and the availability of current public information about the Company. However, a person (or persons whose shares are aggregated) who is not an "affiliate" of the Company during the 90 days preceding a proposed sale by such person and who has beneficially owned "restricted securities" for at least three years is entitled to sell such shares under Rule 144 without regard to the volume, manner of sale or notice requirements. As defined in Rule 144, an "affiliate" of an issuer is a person that directly or indirectly controls, or is controlled by, or is under common control with such issuer.

The Company and the Principal Stockholders have agreed, subject to certain exceptions, not to, directly or indirectly, (i) sell, grant any option to purchase or otherwise transfer or dispose of any Common Stock or securities convertible into or exchangeable or exercisable for Common Stock or file a registration statement under the Securities Act with respect to the foregoing or (ii) enter into any swap or other agreement or transaction that transfers, in whole or in part, the economic consequence of ownership of the Common Stock,

without the prior written consent of Merrill Lynch, for a period of 180 days after the date of this Prospectus.

Effective upon the consummation of the Offerings, the Company intends to grant options covering approximately 1,207,405 shares of its Common Stock to certain of its employees pursuant to the 1996 Equity Plan. After such grants, an aggregate of approximately 3,792,595 shares will remain available for future option grants and other equity awards under the 1996 Equity Plan and the Directors' Plan. See "Management -- 1996 Equity Incentive Plan" and "-- 1996 Non-Employee Directors' Stock Option Plan." The Company intends to file a registration statement under the Securities Act to register all of the shares of Common Stock reserved for issuance under the 1996 Equity Plan and Directors' Plan. Such registration statement is expected to be filed as soon as practicable after the date of the Offerings and will automatically become effective upon filing. Shares issued under the 1996 Equity Plan and the Directors' Plan after the registration statement is filed may thereafter be sold in the open market, subject, in the case of the various holders, to the Rule 144 volume limitations applicable to affiliates and any transfer restrictions imposed on the date of the grant.

Prior to the Offerings, there has been no public market for the Common Stock. No predictions can be made of the effect, if any, that future sales of shares of Common Stock, and options to acquire shares of Common Stock, or the availability of shares for future sale, will have on the market price prevailing from time to time. Sales of substantial amounts of Common Stock in the public market, or the perception that such sales may occur, could have a material adverse effect on the market price of the Common Stock. See "Risk Factors -- Future Sales by Principal Stockholders; Shares Eligible for Future Sale."

DESCRIPTION OF CAPITAL STOCK

The following summary description of the capital stock of the Company is qualified in its entirety by reference to the form of Restated Certificate of Incorporation of the Company (the "Restated Certificate") and form of Restated Bylaws of the Company, to become effective prior to the closing of the Offerings, a copy of each of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part.

The authorized capital stock of the Company consists of 150,000,000 shares of Common Stock, par value $.01 per share, and 10,000,000 shares of Preferred Stock, par value $.01 per share (the "Preferred Stock").

COMMON STOCK

Holders of Common Stock are entitled to one vote for each share held on all matters submitted to a vote of the shareholders, including the election of directors. The Restated Certificate does not provide for cumulative voting in the election of directors. Accordingly, holders of a majority of the shares of Common Stock entitled to vote in any election of directors may elect all of the directors standing for election. Subject to preferences that may be applicable to any Preferred Stock outstanding at the time, holders of Common Stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Board of Directors out of funds legally available therefor. See "Dividend Policy." In the event of a liquidation, dissolution or winding up of the Company, holders of Common Stock are entitled to share ratably in all assets remaining after payment of the Company's liabilities and the liquidation preference, if any, of any outstanding shares of Preferred Stock. Holders of Common Stock have no preemptive rights and no rights to convert their Common Stock into any other securities and there are no redemption provisions with respect to such shares. All of the outstanding shares of Common Stock are fully paid and non-assessable. The rights, preferences and privileges of holders of Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of Preferred Stock which the Company may

designate and issue in the future.

At present there is no established trading market for the Common Stock. The Common Stock has been approved for listing on the NYSE under the symbol "GES," subject to official notice of issuance.

The transfer agent and registrar for the Common Stock is The First National Bank of Boston.

PREFERRED STOCK

The Restated Certificate provides that the Board of Directors, without further action by the stockholders, may issue shares of the Preferred Stock in one or more series and may fix or alter the relative, participating, optional or other rights, preferences, privileges and restrictions, including the voting rights, redemption provisions (including sinking fund provisions), dividend rights, dividend rates, liquidation preferences and conversion rights, and the description of and number of shares constituting any wholly unissued series of Preferred Stock. The Board of Directors, without further stockholder approval, can issue Preferred Stock with voting and conversion rights which could adversely affect the voting power of the holders of Common Stock. No shares of Preferred Stock presently are outstanding and the Company currently has no plans to issue shares of Preferred Stock. The issuance of Preferred Stock in certain circumstances may have the effect of delaying or preventing a change of control of the Company without further action by the stockholders, may discourage bids for the Company's Common Stock at a premium over the market price of the Common Stock and may adversely affect the market price and the voting and other rights of the holders of Common Stock.

CERTAIN CERTIFICATE OF INCORPORATION, BYLAWS AND STATUTORY PROVISIONS AFFECTING STOCKHOLDERS

CLASSIFIED BOARD OF DIRECTORS. The Company's Board of Directors is divided into three classes of directors serving staggered terms. One class of directors will be elected at each annual meeting of stockholders for a three-year term. See "Management -- Board of Directors." At least two annual meetings of stockholders, instead of one, generally will be required to change the majority of the Company's Board of Directors.

SPECIAL MEETING OF STOCKHOLDERS; STOCKHOLDER ACTION BY WRITTEN CONSENT. The Restated Certificate provides that any action required or permitted to be taken by the Company's stockholders may be effected only at a duly called annual or special meeting of stockholders. Additionally, the Restated Certificate and Bylaws provide that special meetings of the stockholders of the Company may be called only by the Chairman of the Board of Directors, the Chief Executive Officer or the President of the Company.

ADVANCE NOTICE REQUIREMENTS FOR STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS. The Company's Bylaws provide that stockholders seeking to bring business before or to nominate directors at any meeting of stockholders, must provide timely notice thereof in writing. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Company not less than 60 days nor more than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; PROVIDED, HOWEVER, that (i) in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, or (ii) in the case of the annual meeting of stockholders held during the 1997 fiscal year of the Corporation, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which notice of the date of the annual meeting was mailed or public

disclosure of the date of the annual meeting was made, whichever first occurs. The Bylaws also specify certain requirements for a stockholder's notice to be in proper written form. These provisions may preclude some stockholders from bringing matters before the stockholders or from making nominations for directors.

DIRECTOR AND OFFICER INDEMNIFICATION. The Delaware Corporation Law provides that a Delaware corporation may include provisions in its certificate of incorporation relieving each of its directors of monetary liability arising out of his or her conduct as a director for breach of his or her fiduciary duty except liability for (i) any breach of such director's duty of loyalty to the corporation or its stockholders, (ii) acts or omissions that are not in good faith or involve intentional misconduct or a knowing violation of law, (iii) conduct violating Section 174 of the Delaware Corporation Law (which section relates to unlawful distributions) or (iv) any transaction from which a director derived an improper personal benefit. The Company's Restated Certificate includes such provisions.

To the fullest extent permitted by the Delaware Corporation Law, as amended from time to time, the Company's Restated Certificate and Bylaws provide that the Company shall indemnify and advance expenses to each of its currently acting and former directors and officers, and may so indemnify and advance expenses to each of its current and former employees and agents. The Company believes the foregoing provisions are necessary to attract and retain qualified persons as directors and officers. Prior to the consummation of the Offerings, the Company intends to enter into separate indemnification agreements with each of its directors and executive officers in order to effectuate such provisions.

CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES TO NON-UNITED STATES HOLDERS

The following is a general discussion of certain United States Federal tax consequences of the acquisition, ownership and disposition of Common Stock by a holder that is an individual, corporation, estate or trust and, for United States Federal income tax purposes, is not a "United States person" (a "Non-United States Holder"). This discussion is based upon the United States Federal tax law now in effect, which is subject to change, possibly retroactively. For purposes of this discussion, a "United States person" means a citizen or resident of the United States; a corporation, a partnership or other entity created or organized in the United States or under the laws of the United States or of any political subdivision thereof; or an estate or trust whose income is includible in gross income for United States Federal income tax purposes regardless of its source. This discussion does not consider any specific facts or circumstances that may apply to a particular Non-United States Holder. Prospective investors are urged to consult their tax advisors regarding the United States Federal tax consequences of acquiring, holding and disposing of Common Stock, as well as any tax consequences that may arise under the laws of any foreign, state, local or other taxing jurisdiction.

DIVIDENDS

Dividends paid to a Non-United States Holder will generally be subject to withholding of United States Federal income tax at the rate of 30% (or at a reduced tax treaty rate), unless the dividend is effectively connected with the conduct of a trade or business within the United States by the Non-United States Holder, in which case the dividend will be subject to the United States Federal income tax on net income on the same basis that applies to United States persons generally. In the case of a Non-United States Holder which is a corporation,

such effectively connected income also may be subject to the branch profits tax. Non-United States Holders should consult their tax advisors concerning any applicable income tax treaties that may provide for a lower rate of withholding or other rules different from those described above.

GAIN ON DISPOSITION

A Non-United States Holder will generally not be subject to United States Federal income tax on gain recognized on a sale or other disposition of Common Stock unless (i) the gain is effectively connected with the conduct of a trade or business within the United States by the Non-United States Holder, (ii) in the case of a Non-United States Holder who is a nonresident alien individual and holds the Common Stock as a capital asset, such holder is present in the United States for 183 or more days in the taxable year of disposition and either such individual has a "tax home" in the United States or the gain is attributable to an office or other fixed place of business maintained by such individual in the United States or (iii) the Company is or has been a "U.S. real property holding corporation" for United States Federal income tax purposes (which the Company does not believe that it is or is likely to become). Gain that is effectively connected with the conduct of a trade or business within the United States by the Non-United States Holder will be subject to the United States Federal income tax on net income on the same basis that applies to United States persons generally (and, with respect to corporate holders, under certain circumstances, the branch profits tax) but will not be subject to withholding. Non-United States Holders should consult their own tax advisors concerning any applicable treaties that may provide for different rules.

FEDERAL ESTATE TAXES

Common Stock owned or treated as owned by an individual who is not a citizen or resident (for United States estate tax purposes) of the United States at the date of death will be included in such individual's estate for United States Federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

INFORMATION REPORTING AND BACKUP WITHHOLDING

The Company generally must report annually to the Internal Revenue Service and to each Non-United States Holder the amount of dividends paid to, and the tax withheld with respect to, such holder, regardless of whether any tax was actually withheld. This information may also be made available to the tax authorities of a country in which the Non-United States Holder resides.

Under temporary United States Treasury regulations, United States information reporting requirements and backup withholding tax will generally not apply to dividends paid on the Common Stock to a Non-United States Holder at an address outside the United States. Payments by a United States office of a broker of the proceeds of a sale of the Common Stock is subject to both backup withholding at a rate of 31% and information reporting unless the holder certifies its Non-United States Holder status under penalties of perjury or otherwise establishes an exemption. Information reporting requirements (but not backup withholding) will also apply to payments of the proceeds of sales of the Common Stock by foreign offices of United States brokers, or foreign brokers with certain types of relationships to the United States, unless the broker has documentary evidence in its records that the holder is a Non-United States Holder and certain other conditions are met, or the holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will, in certain circumstances, be refunded or credited against the Non-United States Holder's United States Federal income tax liability, provided that the required information is furnished to the Internal Revenue Service.

PROPOSED REGULATIONS

Under current United States Treasury regulations, dividends paid to an address in a foreign country are presumed to be paid to a resident of that country (unless the payor has knowledge to the contrary) for purposes of the withholding discussed above and, under the current interpretation of United States Treasury regulations, for purposes of determining the applicability of a tax treaty rate. Under recently proposed United States Treasury regulations that are proposed to be effective for payments made after December 31, 1997 (the "Proposed Regulations"), however, a Non-United States Holder of Common Stock who wishes to claim the benefit of an applicable treaty rate would be required to satisfy applicable certification requirements. Under the Proposed Regulations, dividend payments would also be made subject to information reporting and backup withholding unless these applicable certification requirements are satisfied. In addition, under the Proposed Regulations, in the case of Common Stock held by a foreign partnership, (x) the certification requirement would generally be applied to the partners of the partnership and (y) the partnership would be required to provide certain information, including a United States taxpayer identification number. The Proposed Regulations also provide look-through rules for tiered partnerships. There can be no assurance that the Proposed Regulations will be adopted or as to the provisions that they will include if and when adopted in temporary or final form.

UNDERWRITING

Subject to the terms and conditions set forth in a purchase agreement (the "U.S. Purchase Agreement") among the Company and each of the underwriters named below (the "U.S. Underwriters"), and concurrently with the sale of 1,840,000 shares of Common Stock to the International Managers (as defined below), the Company has agreed to sell to each of the U.S. Underwriters, and each of the U.S. Underwriters severally has agreed to purchase from the Company, the number of shares of Common Stock set forth opposite its name below.

U.S. UNDERWRITERS	NUMBER OF SHARES
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Morgan Stanley & Co. Incorporated	
Total	7,360,000

Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated are acting as representatives (the "U.S. Representatives") of the U.S. Underwriters.

The Company has also entered into a purchase agreement (the "International Purchase Agreement" and, together with the U.S. Purchase Agreement, the "Purchase Agreements") with certain underwriters outside the United States and Canada (collectively, the "International Managers," and together with the U.S. Underwriters, the "Underwriters"), for whom Merrill Lynch International and Morgan Stanley & Co. International Limited are acting as representatives of the International Managers (the "International Representatives" and, together with the U.S. Representatives, the "Representatives"). Subject to the terms and conditions set forth in the International Purchase Agreement, and concurrently with the sale of 7,360,000 shares of Common Stock to the U.S. Underwriters pursuant to the U.S. Purchase Agreement, the Company has agreed to sell to the International Managers and the International Managers have severally agreed to

purchase from the Company, an aggregate of 1,840,000 shares of Common Stock. The initial public offering price per share of Common Stock and the underwriting discount per share of Common Stock are identical under the U.S. Purchase Agreement and the International Purchase Agreement.

In the U.S. Purchase Agreement and the International Purchase Agreement, the several U.S. Underwriters and the several International Managers, respectively, have agreed, subject to the terms and conditions set forth therein, to purchase all of the shares of Common Stock being sold pursuant to each such Agreement if any of the shares of Common Stock being sold pursuant to such Agreement are purchased. Under certain circumstances, the commitments of non-defaulting U.S. Underwriters or International Managers (as the case may be) may be increased. The purchase of shares of Common Stock by the U.S. Underwriters is conditioned upon the purchase of shares of Common Stock by the International Managers, and vice versa.

The U.S. Underwriters and the International Managers have entered into an intersyndicate agreement (the "Intersyndicate Agreement") providing for the coordination of their activities. The Underwriter's are permitted to sell shares of Common Stock to each other for purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the terms of the Intersyndicate Agreement, the U.S. Underwriters and any dealer to whom they sell shares of Common Stock will not offer to sell or sell shares of Common Stock to persons who are non-U.S. or non-Canadian persons or to persons they believe intend to resell to persons who are non-U.S. or non-Canadian persons, and the International Managers and any dealer to whom they sell shares of Common Stock will not offer to sell or sell shares of Common Stock to U.S. persons or to Canadian persons or to persons they believe intend to resell to U.S. persons or Canadian persons, except in the case of transactions pursuant to the Intersyndicate Agreement.

The U.S. Representatives have advised the Company that the U.S. Underwriters propose initially to offer the shares of Common Stock to the public at the initial public offering price set forth on the cover page of this Prospectus, and to certain dealers at such price less a concession not in excess of $ per share of Common Stock on sales to certain other dealers. The U.S. Underwriters may allow, and such dealers may reallow, a discount not in excess of $ per share of Common Stock on sales to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

At the request of the Company, the U.S. Underwriters have reserved up to 750,000 shares of Common Stock for sale at the initial public offering price to directors, officers, employees, business associates and related persons of the Company. The number of shares of Common Stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares which are not so purchased will be offered by the Underwriters to the general public on the same basis as the other shares offered hereby. Certain individuals purchasing reserved shares may be required to agree not to sell, offer or otherwise dispose of any shares of Common Stock for a period of three months after the date of this Prospectus.

The Company,the Principal Stockholders and certain executive officers have agreed, subject to certain exceptions, not to, directly or indirectly, (i) sell, grant any option to purchase or otherwise transfer or dispose of any Common Stock or securities convertible into or exchangeable or exercisable for Common Stock or file a registration statement under the Securities Act with respect to the foregoing or (ii) enter into any swap or other agreement or transaction that transfers, in whole or in part, the economic consequence of ownership of the Common Stock, without the prior written consent of Merrill Lynch, for a period of 180 days after the date of this Prospectus.

The Company has granted an option to the U.S. Underwriters, exercisable within 30 days after the date of this Prospectus, to purchase up to an aggregate of 1,104,000 additional shares of Common Stock at the initial public offering price set forth on the cover page of this Prospectus, less the underwriting

discount. The U.S. Underwriters may exercise this option only to cover over-allotments, if any, made on the sale of the Common Stock offered hereby. To the extent that the U.S. Underwriters exercise this option, each U.S. Underwriter will be obligated, subject to certain conditions, to purchase a number of additional shares of Common Stock proportionate to such U.S. Underwriter's initial amount reflected in the foregoing table. The Company also has granted an option to the International Managers, exercisable within 30 days after the date of this Prospectus, to purchase up to an aggregate of 276,000 additional shares of Common Stock to cover over-allotments, if any, on terms similar to those granted to the U.S. Underwriters.

Prior to the Offerings, there has been no public market for the shares of Common Stock of the Company. The initial public offering price has been determined through negotiations between the Company and the Representatives. Among the factors considered in determining the initial public offering price, in addition to prevailing market conditions, are price-earnings ratios of publicly traded companies that the Representatives believe to be comparable to the Company, certain financial information of the Company, the history of, and the prospects for, the Company and the industry in which it competes, an assessment of the Company's management, its past and present operations, the prospects for, and timing of, future revenues of the Company, the present state of the Company's development, and the above factors in relation to market values and valuation measures of other companies engaged in activities similar to the Company. There can be no assurance that an active trading market will develop for the Common Stock or that the Common Stock will trade in the public market subsequent to the Offerings at or above the initial public offering price.

The Underwriters do not intend to confirm sales of the Common Stock offered hereby to any accounts over which they exercise discretionary authority.

The Company and the Principal Stockholders have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Underwriters may be required to make in respect thereof.

LEGAL MATTERS

The validity of the Common Stock offered hereby will be passed upon for the Company by Shearman & Sterling, Los Angeles, California. Certain legal matters relating to the Offerings will be passed upon for the Underwriters by Skadden, Arps, Slate, Meagher & Flom, Los Angeles, California. Shearman & Sterling has from time to time represented certain of the Underwriters in connection with unrelated legal matters. Skadden, Arps, Slate, Meagher & Flom has from time to time represented the Company in connection with unrelated legal matters.

EXPERTS

The consolidated financial statements and schedule of the Company as of December 31, 1994 and 1995, and for each of the years in the three year period ended December 31, 1995, have been included herein and in the registration statement in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company is subject to the informational requirements of the Exchange Act and, in accordance therewith, files reports and other information with the Securities and Exchange Commission. Such reports and other information filed by the Company may be inspected without charge at the Securities and Exchange Commission's principal office in Washington, D.C., and at the following regional offices of the Commission: Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and at Seven World Trade Center, Suite 1300, New York, New York 10048. Copies of all or any part thereof may be obtained from the

Public Reference Section, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 upon payment of the prescribed fees. Upon listing of the Common Stock on the NYSE, such reports and other information can also be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005. In addition, the Commission maintains a World Wide Web site on the Internet at http:// www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

The Company has filed with the Securities and Exchange Commission a Registration Statement on Form S-1 under the Securities Act with respect to the Common Stock offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to the Company or such Common Stock, reference is made to the Registration Statement and the schedules and exhibits filed as a part thereof. Statements contained in this Prospectus regarding the contents of any contract or any other document are not necessarily complete and, in each instance, reference is hereby made to the copy of such contract or other document filed as an exhibit to such Registration Statement. The Registration Statement, including exhibits thereto, may be inspected without charge office of the Securities and Exchange Commission. Copies of all or any part thereof may be obtained upon payment of the prescribed fees.

The Company intends to furnish its stockholders with annual reports containing financial statements audited by independent certified public accountants and with quarterly reports containing unaudited financial information for each of the first three quarters of each fiscal year.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Guess ?, Inc.:

We have audited the accompanying consolidated financial statements of Guess ?, Inc. and Subsidiaries as listed in the accompanying index. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing

standards. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Guess ?, Inc. and Subsidiaries as of December 31, 1994 and 1995 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1995 in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Los Angeles, California
March 1, 1996

GUESS ?, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1994 AND 1995, JUNE 30, 1996 AND PRO FORMA JUNE 30, 1996
(IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS

	1994	1995	JUNE 30, 1996	PRO FORMA JUNE 30, 1996 (NOTE 1)
			(UNAUDITED)	
Current assets:				
Cash	$ 5,994	$ 6,417	$ 5,442	$ 5,442
Receivables:				
Trade receivables, net of reserves aggregating, $10,391, $10,849 and $8,222 at December 31, 1994 and 1995 and June 30, 1996, respectively	23,505	22,886	31,403	31,403
Royalties	9,728	9,975	10,875	10,875
Other	5,267	4,040	3,427	3,427
	38,500	36,901	45,705	45,705
Inventories (note 3)	83,772	72,889	92,340	92,340
Prepaid expenses	4,837	5,557	6,845	6,845
Deferred tax assets (note 1)	--	--	--	3,663
Total current assets	133,103	121,764	150,332	153,995
Property and equipment, at cost, net of accumulated depreciation and amortization (note 4)	59,725	68,199	67,346	67,346
Long-term investments (note 2)	3,136	3,394	3,408	3,408
Deferred tax assets (note 1)	--	--	--	3,781
Other assets, at cost, net of accumulated amortization of $1,800, $2,279 and $2,680 at December 31, 1994 and 1995 and June 30, 1996, respectively (note 7)	11,732	9,278	8,649	8,649
	$ 207,696	$ 202,635	$ 229,735	$ 237,179
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current installments of notes payable and long-term debt (notes 5 and 7)	$ 4,696	$ 4,123	$ 4,056	$ 4,056
Accounts payable	29,840	40,701	37,221	37,221
Accrued expenses	14,431	18,332	23,865	23,865
Income taxes payable (note 6)	1,009	1,036	775	775
S corporation distribution notes (note 1)	--	--	--	176,900
Total current liabilities	49,976	64,192	65,917	242,817
Notes payable and long-term debt, net of current installments (notes 5 and 7)	151,799	119,212	148,712	148,712
Minority interest	53	75	247	247

Other liabilities	5,495	8,159	8,535	8,535
	207,323	191,638	223,411	400,311
Stockholders' equity (notes 1, 7 and 13):				
Preferred stock, $.01 par value. Authorized 10,000,000 shares; no shares issued and outstanding	--	--	--	--
Common stock, $.01 par value. Authorized 150,000,000 shares; issued 52,713,000 shares, outstanding 32,682,000 shares, 20,031,000 shares held in Treasury	35	35	35	35
Paid-in capital	181	181	181	(19,883)
Retained earnings	150,948	161,567	156,836	7,444
Foreign currency translation adjustment	(15)	(10)	48	48
Treasury stock, 20,031,000 shares repurchased	(150,776)	(150,776)	(150,776)	(150,776)
Net stockholders' equity (deficiency)	373	10,997	6,324	(163,132)
Commitments, contingencies and subsequent events (notes 5, 9, 13 and 14)				
	$ 207,696	$ 202,635	$ 229,735	$ 237,179

See accompanying notes to consolidated financial statement

GUESS ?, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
YEARS ENDED DECEMBER 31, 1993, 1994 AND 1995
AND SIX MONTHS ENDED JULY 2, 1995 AND JUNE 30, 1996
(IN THOUSANDS, EXCEPT SHARE DATA)

	1993	1994	1995	JULY 2, 1995	JUNE 30, 1996
				(UNAUDITED)	
Net revenue:					
Product sales	$ 491,444	$ 507,462	$ 440,359	$ 206,579	$ 232,111
Net royalties	28,780	40,350	46,374	23,073	25,295
	520,224	547,812	486,733	229,652	257,406
Cost of sales (note 8)	260,409	291,989	262,142	120,809	137,113
Gross profit	259,815	255,823	224,591	108,843	120,293
Selling, general and administrative expenses (note 8)	145,351	138,016	141,663	66,468	72,829
Reorganization charge (note 14)	--	--	--	--	3,559
Earnings from operations	114,464	117,807	82,928	42,375	43,905
Non-operating income (expense):					
Interest, net	(11,735)	(16,948)	(15,957)	(7,926)	(7,291)
Other, net	2,552	322	(157)	(180)	(147)
	(9,183)	(16,626)	(16,114)	(8,106)	(7,438)
Earnings before income taxes	105,281	101,181	66,814	34,269	36,467
Income taxes (note 6)	1,810	3,540	2,895	1,275	1,598
Net earnings	$ 103,471	$ 97,641	$ 63,919	$ 32,994	$ 34,869
Supplemental pro forma financial information (note 1):					
Earnings before income taxes, as presented	$ 105,281	$ 101,181	$ 66,814	$ 34,269	$ 36,467
Pro forma provision for income taxes (unaudited)	42,112	40,472	26,726	13,708	14,477
Pro forma net earnings (unaudited)	$ 63,169	$ 60,709	$ 40,088	$ 20,561	$ 21,990
Pro forma net earnings per share			$ 1.00		$ .55
Weighted average common shares outstanding			40,026,000		39,811,000

See accompanying notes to consolidated financial statements

GUESS ?, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)
YEARS ENDED DECEMBER 31, 1993, 1994 AND 1995
AND THE SIX MONTHS ENDED JUNE 30, 1996
(IN THOUSANDS)

	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	TREASURY STOCK	TOTAL
Balance at December 31, 1992	$ 35	$ 181	$ 167,174	$ --	$ --	$ 167,390
Net earnings	--	--	103,471	--	--	103,471
Stockholder distributions	--	--	(117,656)	--	--	(117,656)
Foreign currency translation adj.	--	--	--	(31)	--	(31)
Repurchase of treasury stock	--	--	(52,682)	--	(150,776)	(203,458)
Balance at December 31, 1993	35	181	100,307	(31)	(150,776)	(50,284)
Net earnings	--	--	97,641	--	--	97,641
Stockholder distributions	--	--	(47,000)	--	--	(47,000)
Foreign currency translation adj.	--	--	--	16	--	16
Balance at December 31, 1994	35	181	150,948	(15)	(150,776)	373
Net earnings	--	--	63,919	--	--	63,919
Stockholder distributions	--	--	(53,300)	--	--	(53,300)
Foreign currency translation adj.	--	--	--	5	--	5
Balance at December 31, 1995	35	181	161,567	(10)	(150,776)	10,997
Net earnings (unaudited)	--	--	34,869	--	--	34,869
Stockholder distributions (unaudited)	--	--	(39,600)	--	--	(39,600)
Foreign currency translation adj. (unaudited)	--	--	--	58	--	58
Balance at June 30, 1996 (unaudited)	$ 35	$ 181	$ 156,836	$ 48	$ (150,776)	$ 6,324

See accompanying notes to consolidated financial statement

GUESS ?, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1993, 1994 AND 1995 AND SIX MONTHS ENDED
JULY 2, 1995 AND JUNE 30, 1996 (IN THOUSANDS)

	1993	1994	1995	JULY 2, 1995	JUNE 30, 1996
				(UNAUDITED)	
Cash flows from operating activities:					
Net earnings	$ 103,471	$ 97,641	$ 63,919	$ 32,994	$ 34,869
Adjustments to reconcile net earnings to net cash provided by operating activities:					
Depreciation and amortization of property and equipment	10,322	12,070	14,277	6,822	8,379
Amortization of deferred charges	251	515	1,373	801	669
(Gain) loss on disposition of property and equipment	(223)	726	814	259	100
Foreign currency translation adjustment	(31)	(5)	(14)	17	33
Contributions from minority interest	29	24	22	(51)	172
Undistributed equity method earnings	--	(72)	(117)	(21)	(9)
(Increase) decrease in:					
Receivables	46,708	(14,628)	1,599	(12,119)	(8,803)
Inventories	(20,357)	(3,353)	10,884	6,097	(19,451)
Prepaid expenses	(245)	(1,516)	(720)	(309)	(1,288)
Other assets	(1,620)	180	1,858	428	234
Increase (decrease) in:					
Accounts payable	(9,259)	8,043	10,861	2,294	(3,479)
Accrued expenses	1,303	(1,337)	3,658	1,728	5,367
Income taxes payable	(2,380)	795	22	(191)	(261)
Net cash provided by operating activities	127,969	99,083	108,436	38,749	16,532
Cash flows from investing activities:					
Net decrease in short-term investments	22,782	5,000	--	--	--

Purchases of property and equipment	(14,965)	(19,779)	(23,757)	(12,527)	(7,986)
Proceeds from the disposition of property and equipment	2,425	172	192	127	360
Lease incentives granted	1,573	1,503	2,015	1,248	261
Purchase of long-term investments	--	(3,136)	(23)	(122)	--
Net cash provided by (used in) investing activities	11,815	(16,240)	(21,573)	(11,274)	(7,365)
Cash flows from financing activities:					
Proceeds from notes payable and long-term debt	280,520	222,040	131,193	75,254	105,943
Proceeds from Bridge Loan	80,000	--	--	--	--
Repayment of notes payable and long-term debt	(99,655)	(254,959)	(164,353)	(63,861)	(76,510)
Repayments of Bridge Loan	(80,000)	--	--	--	--
Distributions to stockholders	(117,656)	(47,000)	(53,300)	(41,800)	(39,600)
Repurchase of treasury stock	(203,458)	--	--	--	--
Net cash used in financing activities	(140,249)	(79,919)	(86,460)	(30,407)	(10,167)
Effect of exchange rates on cash	--	20	20	(10)	25
Net increase (decrease) in cash	(465)	2,944	423	(2,942)	(975)
Cash at beginning of period	3,515	3,050	5,994	5,994	6,417
Cash at end of period	$ 3,050	$ 5,994	$ 6,417	$ 3,052	$ 5,442
Supplemental disclosures:					
Cash paid during the period for:					
Interest	$ 7,189	$ 16,380	$ 15,396	$ 7,627	$ 6,926
Income taxes	4,259	2,879	1,925	1,467	1,856

See accompanying notes to consolidated financial statements

GUESS ?, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1994 AND 1995 AND JUNE 30, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Guess ?, Inc. (the "Company") designs, develops and markets quality contemporary jeans and other casual wear for men and women. The Company distributes it products through major department stores, specialty retailers, foreign distributors and its network of Company-owned and -operated retail and factory outlet stores.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and its foreign subsidiaries, Guess Italia, S.r.l. and Guess? Europe, B.V. The Company has a 79% and 50% interest in Guess Italia S.r.l. and Guess? Europe, B.V., respectively. The remaining 21% of Guess Italia S.r.l. and 50% of Guess? Europe, B.V. is owned by Marciano International, Inc. ("Marciano International"), a related party, which is wholly-owned by the stockholders of the Company. Accordingly, all references herein to "Guess ?, Inc." include the consolidated results of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

INTERIM FINANCIAL DATA

The interim consolidated financial data as of June 30, 1996 and for the six months ended July 2, 1995 and June 30, 1996 is unaudited. This information reflects all adjustments, consisting of normal recurring adjustments, that in the opinion of management, are necessary to present fairly the financial position and results of operations of the Company for the periods indicated. Results of operations for the interim periods are not necessarily indicative of the results of operations for the full year.

INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out) or market.

TRADE AND ROYALTY RECEIVABLES

The Company extends trade credit to its customers in the ordinary course of business. None of the receivables due from customers at December 31, 1994 and 1995 and June 30, 1996 involved factored accounts or other contingencies relating to third-party risk, except to the extent that the Company has chosen to insure certain accounts from risk of loss under a catastrophic loss policy.

The Company has licensing arrangements with 27 licensees for use of its name and trademark. Royalty payments received by the Company are generally on a percentage of the licensees' net sales and require that minimum royalty payments be made if specified minimum sales levels are not obtained. Royalty income is net of direct expenses aggregating $2,387,000, $2,813,000, $2,331,000, $1,114,000 and $1,006,000 for 1993, 1994, 1995 and the six months ended July 2, 1995 and June 30, 1996, respectively. The licensing agreements expire on various dates through December 2003.

REVENUE RECOGNITION

The Company recognizes revenue from the sale of merchandise upon shipment. The Company accrues for estimated sales returns and allowances in the period in which the related revenue is recognized. Royalty income is based upon licensees' net sales.

SIGNIFICANT CUSTOMERS

Individual customers aggregating in excess of 10% of net sales for the years ended December 31, 1993, 1994 and 1995 and the six months ended July 2, 1995 and June 30, 1996 are summarized as follows:

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED,	
	1993	1994	1995	JULY 2, 1995	JUNE 30, 1996
Customer A	11.5%	10.3%	11.0%	11.7%	8.2%

GUESS ?, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1994 AND 1995 AND JUNE 30, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEPRECIATION AND AMORTIZATION

Depreciation and amortization of property and equipment are provided using the straight-line method over the following useful lives:

Building and building improvements	18 to 31 years
Land improvements	5 years

Machinery and equipment	3 to 5 years
Corporate aircraft	5 to 10 years
Corporate vehicles	3 years

Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the lease. Construction in progress is not depreciated until the related asset is completed.

FOREIGN CURRENCY TRANSLATION

In accordance with the Financial Accounting Standards Board Statement No. 52, balance sheet accounts of the Company's foreign operations are translated from foreign currencies into U.S. dollars at year end rates while income and expenses are translated at the weighted average exchange rates for the year. The related translation adjustments are reflected as a foreign currency translation adjustment in the consolidated balance sheet.

INCOME TAXES

The Company has elected to be treated for Federal and certain state income tax purposes as an S corporation under Subchapter S of the Internal Revenue Code and comparable state laws. As a result, the earnings of the Company have been included in the taxable income of the Company's stockholders for Federal and certain state income tax purposes, and the Company has generally not been subject to income tax on such earnings, other than California and other state franchise taxes.

In February 1992, the Financial Accounting Standards Board issued Statement No. 109, "Accounting for Income Taxes." One of the provisions of Statement No. 109 enables companies to record deferred tax assets for the future benefit to be derived from certain deductible temporary differences. The Company has adopted the provisions of Statement No. 109 effective January 1, 1993; however, as differences giving rise to deferred tax assets are immaterial, the Company has not recorded any deferred tax assets at December 31, 1994 and 1995.

PRO FORMA NET EARNINGS

Pro forma net earnings represents the results of operations adjusted to reflect a provision for income taxes on historical earnings before income taxes, which gives effect to the change in the Company's income tax status to a C corporation as a result of the public sale of its common stock. When the Company terminates its S corporation status, which is expected to occur immediately prior to the consummation of the Offerings, it will record an earnings benefit resulting from the establishment of net deferred tax assets. The amount of the benefit to be recorded (approximately $8.9 million) at June 30, 1996 will be dependent upon temporary differences existing at the date of termination of the Company's S corporation status. The principal difference between the pro forma income tax rate and Federal statutory rate of 35% relates primarily to state income taxes.

Pro forma net earnings per share has been computed by dividing pro forma net earnings by the weighted average number of shares of common stock outstanding during the period. The pro forma net earnings per share gives effect to the issuance of shares of common stock to generate sufficient cash to pay the S Corporation Distribution is an amount equal to retained earnings.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PRO FORMA BALANCE SHEET INFORMATION

Pro forma balance sheet information as of June 30, 1996 has been presented to reflect i) the S corporation distribution (the "S Corporation Distribution") to be made in an amount equal to the previously earned and undistributed taxable S corporation earnings aggregating approximately $176.9 million through the date of termination of the Company's S corporation status as if such distribution had been made at June 30, 1996 and the Company's S corporation status had been terminated at such date and ii) an estimated $7.4 million of net deferred tax assets that would have been recorded had the Company's S corporation status been terminated on June 30, 1996. The pro forma paid-in capital reflects a reduction of $20.1 million for that portion of the S Corporation Distribution which is in excess of financial statement retained earnings.

No adjustment has been made to give effect to the Company's earned and undistributed taxable S corporation earnings for the period from July 1, 1996 through the S Termination Date, which will be distributed as part of the S Corporation Distribution.

CREDIT RISK

The Company sells its merchandise principally to customers throughout the United States and Europe. Management performs regular evaluations concerning the ability of its customers to satisfy their obligations and records a provision for doubtful accounts based upon these evaluations. The Company's credit losses for the periods presented are insignificant and have not exceeded management's estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Company's financial instruments, which principally include cash, short and long-term investments, trade receivables, accounts payable and accrued expenses, approximates fair value due to the relatively short maturity of such instruments.

The fair value of the Company's debt instruments are based on the amount of future cash flows associated with each instrument discounted using the Company's borrowing rate. At December 31, 1994 and 1995 and June 30, 1996, the carrying value of all financial instruments was not materially different from fair value.

USE OF ESTIMATES

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

RECLASSIFICATIONS

Certain reclassifications have been made to the 1993, 1994 and 1995 financial statements to conform to the June 30, 1996 presentation.

2. INVESTMENTS

Long-term investments consist of equity securities aggregating $3,136,000, $3,394,000 and $3,408,000 at December 31, 1994 and 1995 and June 30, 1996, respectively. The investments are generally accounted for under the equity method of accounting. Supplemental information on investee companies has not been provided as it is immaterial to the consolidated financial statements.

GUESS ?, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1994 AND 1995 AND JUNE 30, 1996

3. INVENTORIES

Inventories at December 31, 1994 and 1995 and June 30, 1996 are summarized as follows (in thousands):

	1994	1995	JUNE 30, 1996 (UNAUDITED)
Raw materials	$ 17,047	$ 9,788	$ 13,125
Work in process	14,032	11,264	10,517
Finished goods	52,693	51,837	68,698
	$ 83,772	$ 72,889	$ 92,340

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 1994 and 1995 and June 30, 1996 is summarized as follows (in thousands):

	1994	1995	JUNE 30, 1996 (UNAUDITED)
Land and land improvements	$ 5,725	$ 5,729	$ 5,729
Building and building improvements	8,435	8,446	8,446
Leasehold improvements	25,470	36,059	37,844
Machinery and equipment	40,389	48,279	50,565
Corporate aircraft	18,324	19,138	21,206
Construction in progress	363	2,269	3,021
	98,706	119,920	126,811
Less accumulated depreciation and amortization	38,981	51,721	59,465
	$ 59,725	$ 68,199	$ 67,346

Construction in progress at December 31, 1994 and 1995 and June 30, 1996 represents the costs associated with the construction of buildings and improvements used in the Company's operations and other capitalizable expenses for projects in progress.

5. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt at December 31, 1994 and 1995 and June 30, 1996 are summarized as follows (in thousands):

	1994	1995	JUNE 30, 1996 (UNAUDITED)
9 1/2% Senior Subordinated Notes due 2003 (see note 7)	$ 115,000	$ 105,000	$ 105,000
Advances under secured $100,000,000 long-term line of credit with a syndicate of banks, interest is variable, with an average annual effective rate of 6.42% in 1994 and 7.94% in 1995, 7.01% in the six months ended June 30, 1996 and payable monthly	35,000	13,000	43,000
Note payable, secured by corporate aircraft, bearing interest at 10.59% per year, due in quarterly installments of $665,385 through December 1995	1,895	--	--
Note payable, secured by corporate aircraft, bearing interest at 8.23% per year, payable in quarterly installments of $221,003 through March 1998	2,499	1,799	1,427
Other, including capitalized leases	2,101	3,536	3,341
	156,495	123,335	152,768
Less current installments	4,696	4,123	4,056
	$ 151,799	$ 119,212	$ 148,712

Aggregate maturities of notes payable and long-term debt at December 31, 1995 are summarized as follows:

December 31, (in thousands):	
1996	$ 4,123
1997	13,995
1998	217
1999	--
2000	--
Thereafter	105,000
	$ 123,335

The Company had outstanding standby letters of credit aggregating $9.0 at December 31, 1995 under its $100 million long term line of credit. Additionally, the Company has a $25 million letter of credit facility pursuant to which $1.1 million in letters of credit were outstanding at December 31, 1995.

During 1994 and 1995, the Company repurchased $15.0 million and $10.0 million of the Senior Subordinated Notes, respectively. Additionally, the related deferred financing costs of $468,000 and $281,000 were written off to interest expense during 1994 and 1995, respectively.

GUESS ?, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1994 AND 1995 AND JUNE 30, 1996

6. INCOME TAXES

The provision for state income taxes for the years ended December 31, 1993, 1994 and 1995 and the six months ended July 2, 1995 and June 30, 1996 consists of the following (in thousands):

	1993	1994	1995	JULY 2, 1995	JUNE 30, 1996
Current income tax	$ 3,014	$ 3,540	$ 2,895	$ 1,275	$ 1,598
Deferred tax benefit	(1,204)	--	--	--	--
	$ 1,810	$ 3,540	$ 2,895	$ 1,275	$ 1,598

Deferred income tax benefits in 1993 resulted from timing differences in the recognition of revenue and expense for financial reporting purposes and income tax purposes. These differences related principally to a lawsuit settlement, depreciation expense and officers' compensation.

7. STOCK REPURCHASE

On August 23, 1993, the Company and certain of its stockholders completed the purchase of all of the common stock owned by a selling stockholder. The Company purchased 20,031,000 shares, representing 38% of the then outstanding shares, from the selling stockholder (the "Company Purchased Shares"). The total purchase price for the Company Purchased Shares aggregated $203.5 million. To consummate the acquisition of the Company Purchased Shares, the Company used proceeds from the sale of 9 1/2% Senior Subordinated Notes due 2003 (the "Senior Subordinated Notes") aggregating $130.0 million principal amount and a Bridge Loan of $80.0 million.

The Senior Subordinated Notes have a maturity date of August 15, 2003 and accrue interest, payable semiannually, at an original rate of interest of 10%. On February 7, 1994, the Company exchanged these Notes for publicly registered notes which reduced this interest rate to 9 1/2%, until maturity. The notes are redeemable at the option of the Company, in whole or in part, on or after August 15, 1998, at various redemption prices. Additionally, the Company may redeem up to 35% of the original aggregate principal amount of the Senior Subordinated Notes at any time on or prior to August 15, 1996 in the event of a Public Equity Offering in which the Company receives proceeds of not less than $30.0 million, at a redemption price of 109% of the principal amount of the notes redeemed.

In connection with the purchase of the Company Purchased Shares, the Company charged retained earnings $52.7 million, representing the selling stockholder's allocable portion of retained earnings as of August 23, 1993, the purchase date. The remaining cost of the acquired shares, or $150.8 million, representing purchase price in excess of the selling stockholder's allocated retained earnings, was recorded as treasury stock in the accompanying consolidated financial statements.

Deferred financing costs totaling $3.3 million were incurred in connection with the sale of the Senior Subordinated Notes, and $2.4 million were incurred in connection with the Bridge Loan. Such deferred financing costs, plus expenses of the offering of the Senior Subordinated Notes and Bridge Loan, have been capitalized as deferred financing costs and will be amortized over the respective terms of the related indebtedness. The costs related to the Bridge Loan were fully amortized upon the repayment of the Bridge Loan and recorded as interest expense in the accompanying Consolidated Statement of Earnings. See also note 5.

8. RELATED PARTY TRANSACTIONS

The Company is engaged in various transactions with entities affiliated with trusts for the respective benefit of Maurice, Paul and Armand Marciano (the "Marciano Trusts"). The Company believes that each

8. RELATED PARTY TRANSACTIONS (CONTINUED)

of the companies, in which the Marciano Trusts have an investment, and related party transactions discussed below were entered into on terms no less favorable to the Company than could have been obtained from an unaffiliated third party.

LICENSE ARRANGEMENTS AND LICENSEE TRANSACTIONS

On January 1, 1995, the Company entered into a licensing agreement with Charles David of California ("Charles David"). This new agreement superseded a prior license agreement dated September 28, 1990 and amended in May 1993. The Marciano Trusts and Nathalie Marciano (the spouse of Maurice Marciano) together own 50% of Charles David, and the remaining 50% is owned by the father-in-law of Maurice Marciano. The license agreement grants Charles David the rights to manufacture worldwide and distribute worldwide (except Japan) men's, women's and some children's leather and rubber footwear, excluding athletic footwear, which bear the GUESS logo and trademark. The license also includes related shoe care products and accessories. Gross royalties earned by the Company under such license agreement for the fiscal years ended December 31, 1993, 1994 and 1995, and for the six months ended June 30, 1996, was $1,707,000, $1,893,000, $2,117,000 and $858,000, respectively. In the same respective periods, the Company purchased $3,715,000, $4,814,000, $6,357,000 and $2,725,000 of products from Charles David for resale in the retail division's stores.

On September 1, 1994, the Company entered into a licensing agreement with California Sunshine Active Wear, Inc. ("California Sunshine"), granting it the rights to manufacture and distribute certain men's and women's activewear, which bear the GUESS logo and trademark, in the United States. The Marciano Trusts together own 51% of California Sunshine. Gross royalties earned by the Company under such license agreement for the fiscal years ended December 31, 1994 and 1995, and for the six months ended June 30, 1996, was $0, $342,000 and $350,000, respectively. In the same periods, the Company purchased $0, $254,000 and $332,000 of products from California Sunshine for resale in the retail division's stores.

Effective January 1, 1995, the Company entered into a licensing agreement with Guess Italia, S.r.l. ("Guess Italia"), granting it the exclusive right in Italy and non-exclusive right in other parts of Europe to manufacture and distribute men's and women's apparel and accessories that bear the GUESS logo and trademark. Guess Italia is owned 79% by the Company and 21% by Marciano International, Inc., a company wholly owned by the Marciano Trusts, and being merged into the Company as a part of the Reorganization. Gross royalties earned by the Company under such license agreement for the fiscal year ended December 31, 1995, and for the six months ended June 30, 1996, was $505,000 and $266,000, respectively. During 1993, 1994 and 1995 and the six months ended June 30, 1996, the Company purchased $0, $0, $511,000 and $251,000 of products from Guess Italia for resale in the retail division's stores. The Company sold $0, $1,100,000, $411,000 and $94,000 of products to Guess Italia during 1993, 1994, 1995 and the six months ended June 30, 1996, respectively. The Company will pay

the Marciano Trusts an aggregate of $300,000 in connection with the merger of Marciano International, Inc. into the Company.

On May 3, 1994, the Company entered into an agreement with Ranche Limited ("Ranche") to serve as a non-exclusive buying agent for the Company in Hong Kong, which agreement was terminated in the first quarter of 1996. Ranche is currently a wholly owned subsidiary of Guess Europe, B.V. In the fiscal year ended December 31, 1995, and in the six months ended June 30, 1996, Ranche earned commission income from the Company of $1,334,000 and $192,000, respectively, in connection with supplying product. In addition, Ranche operates under a licensing arrangement to distribute product to authorized distributors. Aggregate royalty income earned by the Company under such license for the fiscal year ended December 31, 1995, and for the six months ended June 30, 1996, was $240,000 and $133,000, respectively.

8. RELATED PARTY TRANSACTIONS (CONTINUED)

On December 1, 1992, the Company entered into a licensing agreement with Nantucket Industries, Inc. ("Nantucket Industries") granting it the right to distribute and manufacture men's and women's innerwear, which bear the GUESS logo and trademark, in the United States. The Marciano Trusts together own 8.9% of Nantucket Industries. Gross royalties earned by the Company under such license agreement for the fiscal years ended December 31, 1993, 1994 and 1995, and for the six months ended June 30, 1996, was $47,000, $214,000, $264,000 and $157,000, respectively. In the same respective periods, the Company purchased $23,000, $201,000, $505,000 and $313,000 of products from Nantucket Industries for resale in the retail division's stores.

LEASES

The Company leases manufacturing, warehouse and administrative facilities and one retail administrative facility from partnerships affiliated with the Marciano Trusts. The leases will expire in July 2008. Aggregate lease payments under such leases for the fiscal years ended December 31, 1993, 1994 and 1995 and the six months ended July 2, 1995 and June 30, 1996 were $2,065,000, $2,610,000, $2,803,000, $1,250,000 and $1,286,000, respectively.

9. COMMITMENTS AND CONTINGENCIES

LEASES

The Company leases its showrooms and retail store locations under operating lease agreements expiring on various dates through July 2008. Some of these leases require the Company to make periodic payments for property taxes and common area operating expenses. Certain leases include rent abatements and scheduled rent escalations, for which the effects are being amortized and recorded over the lease term. The Company also leases some of its equipment under operating lease agreements expiring at various dates through May, 1999.

Future minimum rental payments under noncancelable operating leases at December 31, 1995 are as follows:

Year ending December 31, (in thousands):	
1996	$ 19,784
1997	20,525
1998	19,205
1999	17,481
2000	16,509
Thereafter	74,964
	$ 168,468

Rental expense for all operating leases during the years ended December 31, 1993, 1994, and 1995 aggregated $13,276,000, $16,295,000, and $21,940,000 respectively. Rental expenses for the six months ended July 2, 1995 and June 30, 1996 aggregated $10,087,000 and $12,640,000, respectively.

INCENTIVE BONUSES

Certain officers of the Company are entitled to incentive bonuses based on the Company's profits.

LITIGATION

The Company is a party to various claims, complaints, and other legal actions that have arisen in the ordinary course of business from time to time. The Company believes that the outcome of all pending legal proceedings, in the aggregate, will not have a material adverse effect on the Company's financial condition or the results of its operations.

10. 401(K) SAVINGS PLAN

On January 1, 1992, the Company established the Guess ? Inc. Savings Plan (the "Savings Plan") under Section 401(k) of the Internal Revenue Code. Under the Savings Plan, associates may contribute up to 15% of their compensation per year subject to the elective limits as defined by Internal Revenue Service guidelines and the Company may make matching contributions in amounts not to exceed 1.5% of the associates' annual compensation. The Company's contributions to the Savings Plan during the years ended December 31, 1993, 1994 and 1995 aggregated $221,000, $213,000 and $261,000, respectively. Contributions to the Savings Plan during the six months ended July 2, 1995 and June 30, 1996 aggregated $132,000 and $134,000, respectively.

11. QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 1994 and 1995 (in thousands):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1994				
Net revenue	$ 122,729	$ 119,383	$ 160,783	$ 144,917
Gross profit	59,784	53,611	79,232	63,196
Earnings before income taxes	24,186	16,627	36,591	23,777

Net earnings	23,479	16,064	35,333	22,765
SUPPLEMENTAL PRO FORMA EARNINGS:				
Earnings before income taxes	24,186	16,627	36,591	23,777
Net earnings	14,512	9,976	21,955	14,266
1995				
Net revenue	124,903	104,749	133,129	123,952
Gross profit	59,636	49,207	59,148	56,600
Earnings before income taxes	21,271	12,998	17,322	15,223
Net earnings	20,712	12,282	16,484	14,441
SUPPLEMENTAL PRO FORMA EARNINGS:				
Earnings before income taxes	21,271	12,998	17,322	15,223
Net earnings	12,763	7,798	10,395	9,132

12. INTERNATIONAL REVENUE

Net revenue is summarized as follows for the years ended December 31, 1993, 1994 and 1995 and the six months ended July 2, 1995 and June 30, 1996:

				SIX MONTHS ENDED	
	1993	1994	1995	JULY 2, 1995	JUNE 30, 1996
Domestic	$ 506,301	$ 527,296	$ 453,344	$ 214,028	$ 228,235
International	13,923	20,516	33,389	15,624	29,171
	$ 520,224	$ 547,812	$ 486,733	$ 229,652	$ 257,406

International revenue includes domestic sales to international markets, sales of product from international subsidiaries and net royalties from foreign licenses.

13. SUBSEQUENT EVENTS

In May 1996, the Board of Directors authorized the filing of a registration statement for an initial public offering of the Company's common stock.

Prior to the consummation of the Offerings, (i) Marciano International, which is owned by the Marciano Trusts and currently holds an interest in the subsidiaries of Guess, will be merged with and into Guess, (ii) all of the capital stock of Guess Italia will be contributed to Guess? Europe, B.V., (iii) the Company will effect a 32.66 to 1 split of the Common Stock and (iv) as part of the S Corporation Distribution, the Company will distribute to its stockholders promissory notes bearing interest at 8% per annum (the "S Distribution Notes"). The Company will pay the Marciano Trusts an aggregate of $300,000 in connection with the merger of Marciano International, Inc. into the Company. All of such transactions are referred to as the "Reorganization."

Concurrently with the consummation of the transactions related to the Offerings (the "Closing Date"), the Company's S corporation status will be terminated (the "S Termination Date"). Prior to the S Termination Date, the Company will declare a distribution to its stockholders that will include all of

its previously earned and undistributed S corporation earnings through the date of termination of the Company's S corporation status. The S Corporation Distribution will occur prior to the S Termination Date and will be comprised of the S Distribution Notes. Between July 1, 1996 and the S Termination Date, the Company anticipates the increase in the S Distribution Notes to be between $3.1 million and $13.1 million, including a gain for income tax purposes recognized as a result of the sale of one of the Company's aircraft. On and after the S Termination Date, the Company will no longer be treated as an S corporation and, accordingly, will be fully subject to Federal and state income taxes.

Immediately prior to the Offerings, the Company will grant options to purchase 1,207,405 shares pursuant to the Company's 1996 Equity Incentive Plan. Of such options, 1,137,598 will have an exercise price equal to the initial public offering price for shares of common stock to be sold in the Offerings and 69,807 will have an exercise price of $21.49 per share. The Company does not anticipate recording any compensation expense as a result of granting such options.

14. REORGANIZATION CHARGE

In the second quarter of 1996, the Company recorded a provision of $3.6 million for certain non-recurring charges relating to the writedown of operating assets associated with the (i) disposal of two currently active remote warehouse and production facilities, in contemplation of the Offerings, which are not expected to be used in the Company's operations after the Offerings, and (ii) the net book loss incurred by the Company in connection with the sale of one of its aircraft in contemplation of the Offerings.

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NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE COMMON STOCK IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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9,200,000 SHARES

[LOGO]

COMMON STOCK

PROSPECTUS

MERRILL LYNCH & CO.
MORGAN STANLEY & CO.
INCORPORATED

, 1996

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

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SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED JULY 30, 1996

PROSPECTUS

9,200,000 SHARES

[LOGO]

COMMON STOCK

Of the 9,200,000 shares of Common Stock of Guess ?, Inc. offered hereby, 1,840,000 shares are initially being offered outside the United States and Canada by the International Managers and 7,360,000 shares are initially being offered in the United States and Canada by the U.S. Underwriters. The initial public offering price and the aggregate underwriting discount per share are identical for each of the Offerings. See "Underwriting."

Prior to the Offerings, there has been no public market for the Common Stock. It is currently estimated that the initial public offering price per share of Common Stock will be between $21 and $23. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price of the Common Stock.

The Common Stock has been approved for listing on the New York Stock Exchange under the symbol "GES," subject to official notice of issuance.

SEE "RISK FACTORS" BEGINNING ON PAGE 7 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT (1)	PROCEEDS TO COMPANY (2)
Per Share	$	$	$
Total (3)	$	$	$

(1) The Company and the Principal Stockholders have agreed to indemnify the several Underwriters against certain liabilities, including certain liabilities under the Securities Act of 1933, as amended. See "Underwriting."

(2) Before deducting expenses payable by the Company estimated to be $1,750,000.

(3) The Company has granted to the International Managers and the U.S. Underwriters options, exercisable within 30 days after the date of this Prospectus, to purchase up to an additional 276,000 and 1,104,000 shares of Common Stock, respectively, to cover over-allotments, if any. If all such additional shares are purchased, the total Price to Public, Underwriting Discount and Proceeds to Company will be $, $ and $, respectively. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters, subject to prior sale, when, as and if issued to and accepted by them, and subject to the approval of certain legal matters by counsel for the Underwriters and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the shares of Common Stock will be made in New York, New York on or about , 1996.

MERRILL LYNCH INTERNATIONAL MORGAN STANLEY & CO. INTERNATIONAL

The date of this Prospectus is , 1996.

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UNDERWRITING

Subject to the terms and conditions set forth in an international purchase agreement (the "International Purchase Agreement") among the Company and each of the underwriters named below (the "International Managers"), and concurrently with the sale of 7,360,000 shares of Common Stock to the U.S. Underwriters (as defined below), the Company has agreed to sell to each of the International Managers, and each of the International Managers severally has agreed to purchase from the Company, the number of shares of Common Stock set forth opposite its name below.

INTERNATIONAL MANAGERS	NUMBER OF SHARES
Merrill Lynch International	
Morgan Stanley & Co. International Limited	
Total	1,840,000

Merrill Lynch International and Morgan Stanley & Co. International Limited are acting as representatives (the "International Representatives") of the International Managers.

The Company has also entered into a purchase agreement (the "U.S. Purchase Agreement" and, together with the International Purchase Agreement, the "Purchase Agreements") with certain underwriters in the United States and Canada (collectively, the "U.S. Underwriters," and together with the International Managers, the "Underwriters"), for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated are acting as representatives (the "U.S. Representatives" and, together with the International Representatives, the "Representatives"). Subject to the terms and conditions set forth in the U.S. Purchase Agreement, and concurrently with the sale of 1,840,000 shares of Common Stock to the International Managers pursuant to the International Purchase Agreement, the Company has agreed to sell to the U.S. Underwriters, and the U.S. Underwriters have severally agreed to purchase from the Company, an aggregate of 7,360,000 shares of Common Stock. The initial public offering price per share of Common Stock and the underwriting discount per share of Common Stock are identical under the International Purchase Agreement and the U.S. Purchase Agreement.

In the International Purchase Agreement and the U.S. Purchase Agreement, the several International Managers and the several U.S. Underwriters, respectively, have agreed, subject to the terms and conditions set forth therein, to purchase all of the shares of Common Stock being sold pursuant to each such Agreement if any of the shares of Common Stock being sold pursuant to such Agreement are purchased. Under certain circumstances, the commitments of non-defaulting International Managers or U.S. Underwriters (as the case may be) may be increased. The purchase of shares of Common Stock by the International Managers is conditioned upon the purchase of shares of Common Stock by the U.S. Underwriters and vice versa.

The International Managers and the U.S. Underwriters have entered into an

intersyndicate agreement (the "Intersyndicate Agreement") providing for the coordination of their activities. The Underwriters are permitted to sell shares of Common Stock to each other for purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the terms of the Intersyndicate Agreement, the International Managers and any dealer to whom they sell shares of Common Stock will not offer to sell or sell shares of Common Stock to persons who are U.S. or Canadian persons or to persons they believe intend to resell to persons who are U.S. or Canadian persons, and the U.S. Underwriters and any dealer to whom they sell shares of Common Stock will not offer to sell or sell shares of Common Stock to non-U.S. persons or to non-Canadian persons or to persons they believe intend to resell to non-U.S. persons or non-Canadian persons, except in the case of transactions pursuant to the Intersyndicate Agreement. The International Representatives have advised the Company that the International Managers propose initially to offer the shares of Common Stock to the public at the initial public offering price set forth on the cover

[ALTERNATE PAGE FOR INTERNATIONAL PROSPECTUS]

page of this Prospectus, and to certain selected dealers at such price less a concession not in excess of $ per share of Common Stock. The International Managers may allow, and such dealers may reallow, a discount not in excess of $ per share of Common Stock on sales to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

Each International Manager has agreed that (i) it has not offered or sold, and, for a period of six months following consummation of the Offerings, will not offer or sell, to persons in the United Kingdom, other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; (ii) it has complied with and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the shares of Common Stock in, from or otherwise involving the United Kingdom and (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the shares of Common Stock to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1995, or is a person to whom such document may otherwise lawfully be issued or passed on.

Purchasers of the shares hereby may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase, in addition to the offering price set forth on the cover page hereby.

At the request of the Company, the U.S. Underwriters have reserved up to 750,000 shares of Common Stock for sale at the initial public offering price to directors, officers, employees, business associates and related persons of the Company. The number of shares of Common Stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares which are not so purchased will be offered by the Underwriters to the general public on the same basis as the other shares offered hereby. Certain individuals purchasing reserved shares may be required to agree not to sell, offer or otherwise dispose of any shares of Common Stock for a period of three months after the date of this Prospectus.

The Company, the Principal Stockholders and certain executive officers have agreed, subject to certain exceptions, not to, directly or indirectly, (i) sell, grant any option to purchase or otherwise transfer or dispose of any Common Stock or securities convertible into or exchangeable or exercisable for Common Stock or file a registration statement under the Securities Act with respect to the foregoing or (ii) enter into any swap or other agreement or transaction that transfers, in whole or in part, the economic consequence of ownership of the Common Stock, without the prior written consent of Merrill Lynch, for a period of 180 days after the date of this Prospectus.

The Company has granted an option to the International Managers, exercisable within 30 days after the date of this Prospectus, to purchase up to an aggregate of 276,000 additional shares of Common Stock at the initial public offering price set forth on the cover page of this Prospectus, less the underwriting discount. The International Managers may exercise this option only to cover over-allotments, if any, made on the sale of the Common Stock offered hereby. To the extent that the International Managers exercise this option, each International Manager will be obligated, subject to certain conditions, to purchase a number of additional shares of Common Stock proportionate to such International Manager's initial amount reflected in the foregoing table. The Company also has granted an option to the U.S. Underwriters, exercisable within 30 days after the date of this Prospectus, to purchase up to an aggregate of 1,104,000 additional shares of Common Stock to cover over-allotments, if any, on terms similar to those granted to the International Managers.

Prior to the Offerings, there has been no public market for the shares of Common Stock of the Company. The initial public offering price has been determined through negotiations between the Company and the Representatives. Among the factors considered in determining the initial public offering price, in addition to prevailing market conditions, are price-earnings ratios of publicly traded companies that the Representatives believe to be comparable to the Company, certain financial information of the Company,

[ALTERNATE PAGE FOR INTERNATIONAL PROSPECTUS]

the history of, and the prospects for, the Company and the industry in which it competes, an assessment of the Company's management, its past and present operations, the prospects for, and timing of, future revenues of the Company, the present state of the Company's development, and the above factors in relation to market values and valuation measures of other companies engaged in activities similar to the Company. There can be no assurance that an active trading market will develop for the Common Stock or that the Common Stock will trade in the public market subsequent to the Offerings at or above the initial public offering price.

The Underwriters do not intend to confirm sales of the Common Stock offered hereby to any accounts over which they exercise discretionary authority.

The Company and the Principal Stockholders have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Underwriters may be required to make in respect thereof.

[ALTERNATE PAGE FOR INTERNATIONAL PROSPECTUS]

LEGAL MATTERS

The validity of the Common Stock offered hereby will be passed upon for the Company by Shearman & Sterling, Los Angeles, California. Certain legal matters relating to the Offerings will be passed upon for the Underwriters by Skadden, Arps, Slate, Meagher & Flom, Los Angeles, California. Shearman & Sterling has from time to time represented certain of the Underwriters in connection with unrelated legal matters. Skadden, Arps, Slate, Meagher & Flom has from time to time represented the Company in connection with unrelated legal matters.

EXPERTS

The consolidated financial statements and schedule of the Company as of December 31, 1994 and 1995, and for each of the years in the three year period ended December 31, 1995, have been included herein and in the registration statement in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company is subject to the informational requirements of the Exchange Act and, in accordance therewith, files reports and other information with the Securities and Exchange Commission. Such reports and other information filed by the Company may be inspected without charge at the Securities and Exchange Commission's principal office in Washington, D.C., and at the following regional offices of the Commission: Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and at Seven World Trade Center, Suite 1300, New York, New York 10048. Copies of all or any part thereof may be obtained from the Public Reference Section, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 upon payment of the prescribed fees. Upon listing of the Common Stock on the NYSE, such reports and other information can also be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005. In addition, the Commission maintains a World Wide Web site on the Internet at http:// www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

The Company has filed with the Securities and Exchange Commission a Registration Statement on Form S-1 under the Securities Act with respect to the Common Stock offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to the Company or such Common Stock, reference is made to the Registration Statement and the schedules and exhibits filed as a part thereof. Statements contained in this Prospectus regarding the contents of any contract or any other document are not necessarily complete and, in each instance, reference is hereby made to the copy of such contract or other document filed as an exhibit to such Registration Statement. The Registration Statement, including exhibits thereto, may be inspected without charge office of the Securities and Exchange Commission. Copies of all or any part thereof may be obtained upon payment of the prescribed fees.

The Company intends to furnish its stockholders with annual reports containing financial statements audited by independent certified public accountants and with quarterly reports containing unaudited financial information for each of the first three quarters of each fiscal year.

[ALTERNATE PAGE FOR INTERNATIONAL PROSPECTUS]

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NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE COMMON STOCK IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

THIS DOCUMENT IS BEING DISTRIBUTED IN THE UNITED KINGDOM ONLY TO PERSONS OF A KIND DESCRIBED IN ARTICLE 11(3) OF THE FINANCIAL SERVICES ACT 1988 (INVESTMENT ADVERTISEMENTS) (EXEMPTIONS) ORDER 1995 OR TO WHOM IT WOULD OTHERWISE BE LAWFUL SO TO DO.

TABLE OF CONTENTS

9,200,000 SHARES

[LOGO]

COMMON STOCK

PROSPECTUS

MERRILL LYNCH INTERNATIONAL
MORGAN STANLEY & CO.
INTERNATIONAL

, 1996

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PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

SEC registration fee	$ 83,911
NASD fee	24,834
NYSE listing fee	235,100
Blue sky fees	25,000
Printing and engraving expenses	221,000
Accountants' fees and expenses	185,000
Attorneys' fees and expenses	425,000
Transfer agent fees	10,000
Miscellaneous	540,155
Total	$1,750,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Pursuant to Section 145 of the General Corporation Law of Delaware (the "Delaware Corporation Law"), Article IX of the Bylaws of the Registrant, a copy of which is filed as Exhibit 3.2 to this Registration Statement, provides that the Registrant shall indemnify any person in connection with any threatened, pending or completed legal proceeding (other than a legal proceeding by or in the right of the Registrant) by reason of the fact that he is or was a director or officer of the Registrant or is or was serving at the request of the Registrant as a director, officer, employee or agent of another corporation, partnership or other enterprise against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such legal proceeding if he acted in good faith and in a manner that he reasonably believed to be in or not opposed to the best interests of the Registrant, and, with respect to any criminal action or proceeding, if he had no reasonable cause to believe that his conduct was unlawful. If the legal proceeding is by or in the right of the Registrant, the director or officer may be indemnified by the Registrant against expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such legal proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Registrant and except that he may not be indemnified in respect of any claim, issue or matter as to which he shall have been adjudged to be liable to the Registrant unless a court determines otherwise.

Article IX of the Registrant's Bylaws allows the Registrant to maintain director and officer liability insurance on behalf of any person who is or was a director or officer of the Registrant or such person who serves or served as director, officer, employee or agent of another corporation, partnership or other enterprise at the request of the Registrant.

Pursuant to Section 102(b)(7) of the Delaware Corporation Law, Article VII of the Restated Certificate of Incorporation of the Registrant, a copy of which is filed as Exhibit 3.1 to this Registration Statement, provides that no director of the Registrant shall be personally liable to the Registrant or its stockholders for monetary damages for any breach of his fiduciary duty as a director; provided, however, that such clause shall not apply to any liability of a director (1) for any breach of his duty of loyalty to the Registrant or its stockholders, (2) for acts or omissions that are not in good faith or involve intentional misconduct or a knowing violation of the law, (3) under Section 174 of the Delaware Corporation Law, or (4) for any transaction from which the director derived an improper personal benefit.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

In connection with the organization of the Registrant in August 1993, Armand Marciano purchased 100 shares of common stock of the Registrant. On August 23, 1993, Armand Marciano sold such shares to Guess ?, Inc., a California corporation ("Guess California"), the Registrant's predecessor. Thereafter, in connection with the merger of Guess California with and into the Registrant pursuant to an Agreement and Plan of Merger between the Registrant and Guess California, all of the then outstanding shares of common

stock of the Registrant were cancelled and retired, and all of the then outstanding shares of the common stock of Guess California were converted into and became shares of common stock of the Registrant. In addition, on August 23, 1993, Guess California sold $130.0 million principal amount of 9 1/2% Senior Subordinated Notes due 2003 (the "Senior Subordinated Notes") to Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith, Incorporated ("Merrill Lynch") at 100% of the principal amount thereof (less aggregate discounts of $3.25 million). Each of such transactions was exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), in reliance on Section 4(2) of the Securities Act on the basis that such transaction did not involve a public offering. In accordance with the agreement pursuant to which Merrill Lynch purchased the Senior Subordinated Notes, Merrill Lynch agreed to offer and sell the Senior Subordinated Notes only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act), a limited number of institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) and pursuant to offers and sales that occur outside the United States within the meaning of Regulation S under the Securities Act. Except for the transactions referred to above, there have not been any recent sales of unregistered securities by the Registrant.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

EXHIBIT NUMBER	DESCRIPTION
1.1.	Form of U.S. Purchase Agreement.
1.2.	Form of International Purchase Agreement.
3.1.	Restated Certificate of Incorporation of the Registrant.
3.2.	Bylaws of the Registrant.
4.1.	Indenture, dated August 23, 1993, between the Registrant and First Trust National Association, as Trustee. (1)
4.2.	First Supplemental Indenture, dated August 23, 1993, between the Registrant and First Trust National Association, as Trustee. (1)
4.3.	Specimen stock certificate.
5.1.	Opinion of Shearman & Sterling.
10.1.	Form of Amended and Restated Stockholders' Agreement.
10.2.	Letter Agreement, dated July 9, 1993, among the Registrant, Georges Marciano, Maurice Marciano, Paul Marciano, Armand Marciano and trusts for their respective benefit. (1)
10.3.	Employment Agreement, dated March 1, 1994, between the Registrant and Roger A. Williams. (3)
10.4.	Letter Agreement, dated January 22, 1996, between the Registrant and Andrea Weiss.
10.5.	Employment Agreement, dated as of May 14, 1996, between the Registrant and Francis K. Duane.
10.6.	General Release and Indemnity Agreement, dated August 23, 1993, among Maurice, Paul and Armand Marciano, their respective trusts, the Registrant, Georges Marciano and his trust. (1)

10.7. General Release Agreement, dated August 23, 1993, among Maurice, Paul and Armand Marciano, their respective trusts, the Registrant, and Georges Marciano and his trust. (1)
10.8. Cancellation and Reassignment Agreement, dated August 23, 1993, among the Registrant, MSKMarciano, Inc., Georges Marciano, Inc. and Georges Marciano. (1)
10.9. Alameda Lease, dated July 29, 1992, among the Registrant and 1444 Partners, Ltd. (1)

EXHIBIT NUMBER	DESCRIPTION
10.10.	Revolving Credit Agreement, dated as of December 20, 1993, between the Registrant and The First National Bank of Boston, as agent, and Sanwa Bank California, as co-agent, and the group of financial institution party thereto (the "Revolving Credit Agreement"). (3)
10.11.	Security Agreement, dated December 20, 1993, between the Registrant and the First National Bank of Boston, as agent for itself and for certain lenders. (3)
10.12.	Amendment No. 1 to the Revolving Credit Agreement, dated January 20, 1994, among the parties thereto. (4)
10.13.	Amendment No. 2 to the Revolving Credit Agreement, dated April 1, 1994, among the parties thereto. (4)
10.14.	Amendment No. 3 to the Revolving Credit Agreement, dated July 18, 1994, among the parties thereto. (4)
10.15.	Amendment No. 4 to the Revolving Credit Agreement, dated October 24, 1994, among the parties thereto. (4)
10.16.	Amendment No. 5 to the Revolving Credit Agreement, dated February 13, 1995, among the parties thereto. (5)
10.17.	Amendment No. 6 to the Revolving Credit Agreement, dated September 14, 1995, among the parties thereto. (5)
10.18.	Amendment No. 7 to the Revolving Credit Agreement, dated December 22, 1995, among the parties thereto. (5)
10.19.	Amendment No. 8 to the Revolving Credit Agreement, dated February 13, 1996, among the parties thereto.
10.20.	Agreement as to Consignment of Documents and Related Matters, dated December 22, 1995, between the Registrant and The First National Bank of Boston. (5)
10.21.	1996 Equity Incentive Plan.
10.22.	1996 Non-Employee Directors' Stock Option Plan.
10.23.	Annual Incentive Bonus Plan.
10.24.	Form of Employment Agreement between the Registrant and Maurice Marciano.
10.25.	Form of Employment Agreement between the Registrant and Paul Marciano.
10.26.	Form of Employment Agreement between the Registrant and Armand Marciano.
10.27.	Registration Rights Agreement, dated as of August 1, 1996, among the Registrant and certain stockholders of the Registrant.
10.28.	Form of Indemnification Agreement among the Registrant and certain stockholders of the Registrant.
10.29.	Form of Indemnification Agreement.
21.1.	List of Subsidiaries.
23.1.	Consent of KPMG Peat Marwick LLP, independent certified public accountants.
23.2.	Consent of Shearman & Sterling (included in Exhibit 5.1).
+24.1.	Power of Attorney.

(b) Financial Statement Schedule:

	DESCRIPTION
Schedule II	Valuation and Qualifying Accounts

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+ Previously filed.

(1) Incorporated by reference from the Registration Statement on Form S-1 (Registration No. 33-69236) originally filed by the Company on September 22, 1993.

(2) Incorporated by reference from Amendment No. 1 to the Registration Statement on Form S-1 (File No. 33-69236) filed by the Company on November 24, 1993.

(3) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 27, 1994.

(4) Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1994.

(5) Incorporated by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

ITEM 17. UNDERTAKINGS.

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the Common Stock being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(b) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

(c) The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on July 30, 1996.

GUESS ?, INC.

By: *

Name: Maurice Marciano
Title: CHIEF EXECUTIVE OFFICER

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
* Maurice Marciano	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	July 29, 1996
* Paul Marciano	President, Chief Operating Officer and Director	July 29, 1996
* Armand Marciano	Senior Executive Vice President, Secretary and Director	July 29, 1996
/s/ ROGER A. WILLIAMS Roger A. Williams	Chief Financial Officer (Principal Financial and Accounting Officer)	July 29, 1996
/s/ ROGER A. WILLIAMS Roger A. Williams	Attorney-in-fact for the persons marked above with an *	

SCHEDULE II
GUESS ?, INC. & SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED DECEMBER 31, 1993, 1994, AND 1995
(IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS AND WRITE-OFFS	BALANCE AT END OF PERIOD
As of December 31, 1993				
Allowance for obsolescence	$ 1,026	--	$ (26)	$ 1,000
Accounts receivable	9,235	7,505	(834)	15,906
As of December 31, 1994				
Allowance for obsolescence	1,000	1,400	--	2,400

Accounts receivable	15,906	758	(6,273)	10,391
As of December 31, 1995				
Allowance for obsolescence	2,400	2,352	(392)	4,360
Accounts receivable	10,391	5,147	(4,689)	10,849

EXHIBIT INDEX

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7,360,000 Shares

GUESS ?, INC.

(a Delaware corporation)

Common Stock

(Par Value $.01 Per Share)

U.S. PURCHASE AGREEMENT

, 1996

MERRILL LYNCH & CO.
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
MORGAN STANLEY & CO. INCORPORATED
as U.S. Representatives of the several U.S. Underwriters
c/o Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
North Tower
World Financial Center
New York, New York 10281-1209

Dear Sirs:

Guess ?, Inc., a Delaware corporation (the "Company"), hereby confirms its agreement with the Maurice Marciano Trust (1995 Restatement) (the "Maurice Marciano Trust"), the Paul Marciano Trust under Trust Dated February 20, 1986 (the "Paul Marciano Trust") and the Armand Marciano Trust Under Trust Dated February 20, 1986 (the "Armand Marciano Trust," and, together with the Maurice Marciano Trust, and the Paul Marciano Trust, the "Principal Stockholders") and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Morgan Stanley & Co. Incorporated ("Morgan Stanley") and each of the other underwriters named in Schedule A hereto (collectively, the "U.S. Underwriters," which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom Merrill Lynch and Morgan Stanley are acting as representatives (in such capacity, Merrill Lynch and Morgan Stanley shall hereinafter be

referred to as the "U.S. Representatives"), with respect to the sale by the Company, and the purchase by the U.S. Underwriters, acting severally and not jointly, of the respective numbers of shares of Common Stock, par value $.01 per share, of the Company ("Common Stock") set forth in said Schedule B and with respect to the grant by the Company to the U.S. Underwriters, acting severally and not jointly, of the option described in Section 2(b) hereof to purchase all or any part of 1,104,000 additional shares of Common Stock to cover over-allotments. The aforesaid 7,360,000 shares of Common Stock (the "Initial U.S. Securities") to be purchased by the U.S. Underwriters and all or any part of the 1,104,000 shares of Common Stock subject to the option described in Section 2(b) hereof (the "Option U.S. Securities") are collectively hereinafter called the "U.S. Securities."

It is understood that the Company is concurrently entering into an agreement, dated the date hereof (the "International Purchase Agreement"), providing for the issuance and sale by the Company of an aggregate of 1,840,000 shares of Common Stock (the "Initial International Securities") through arrangements with certain underwriters outside the United States and Canada (the

"International Managers" which, together with the U.S. Underwriters, shall be referred to as the "Underwriters"), for whom Merrill Lynch International and Morgan Stanley & Co. International Limited are acting as representatives (the "International Representatives"). The Company has also granted to the International Managers an option to purchase all or any part of 276,000 shares of Common Stock (the "International Option Securities" which, together with the Initial International Securities, shall be referred to as the "International Securities") to cover over-allotments. The U.S. Securities and the International Securities are hereinafter collectively referred to as the "Offered Securities."

The Company understands that the U.S. Underwriters will simultaneously enter into an agreement with the International Managers dated the date hereof (the "Intersyndicate Agreement") providing for the coordination of certain transactions among the U.S. Underwriters and the International Managers, under the direction of Merrill Lynch, Pierce, Fenner & Smith Incorporated.

You have advised us that you and the other U.S. Underwriters, acting severally and not jointly, desire to purchase the Initial U.S. Securities and, if the U.S. Underwriters so elect, the U.S. Option Securities, and that you have been authorized by the other U.S. Underwriters to execute this Agreement on their behalf.

The initial public offering price per share for the U.S. Securities and the purchase price per share for the U.S. Securities shall be agreed upon by the Company and the U.S. Representatives, acting on behalf of the several U.S. Underwriters, and such agreement shall be set forth in Schedule C hereto. The offering of the U.S. Securities will be governed by this Agreement. The purchase price per share for the International Securities to be paid by

the several International Managers shall be identical to the purchase price per share for the U.S. Securities to be paid by the several U.S. Underwriters hereunder.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (No. 333-4419), for the registration of 10,580,000 shares of Common Stock, under the Securities Act of 1933, as amended (the "1933 Act"), including the related preliminary prospectus, such amendments thereto, if any, and such amended preliminary prospectuses as may have been required to the date hereof and will file such additional amendments thereto and such amended or supplemental prospectuses as may hereafter be required. Promptly after execution and delivery of this Agreement, the Company will either (i) prepare and file a prospectus in accordance with the provisions of Rule 430A ("Rule 430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and paragraph (b) of Rule 424 ("Rule 424(b)") of the 1933 Act Regulations or (ii) if the Company has elected to rely upon Rule 434 ("Rule 434") of the 1933 Act Regulations, prepare and file a term sheet (a "Term Sheet") in accordance with the provisions of Rule 434 and Rule 424(b). Two forms of prospectus are to be used in connection with the offering and sale of the Offered Securities: one relating to the U.S. Securities (the "Form of U.S. Prospectus") and one relating to the International Securities (the "Form of International Prospectus"). The Form of International Prospectus is identical to the Form of U.S. Prospectus, except for the front cover and back cover pages and the information under the caption "Underwriting." The information included in such prospectus or in such Term Sheet, as the case may be, that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective (a) pursuant to paragraph (b) of Rule 430A is referred to as "Rule 430A Information" or (b) pursuant to paragraph (d) of Rule 434 is referred to as "Rule 434 Information." Each Form of U.S. Prospectus and Form of International Prospectus used before such registration statement became effective, and any Form of U.S. Prospectus or Form of International Prospectus that omitted, as applicable, the Rule 430A

Information or the Rule 434 Information, that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a "preliminary prospectus." Such registration statement, including the exhibits thereto and schedules thereto, if any, at the time it became effective and including the Rule 430A Information and the Rule 434 Information, as applicable, as from time to time amended or supplemented pursuant to the 1933 Act, is herein called the "Registration Statement." Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations is herein referred to as the "Rule 462(b) Registration Statement," and after such filing the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The Form of U.S. Prospectus and Form of International Prospectus included in the Registration Statement at the time it becomes effective are herein called the "U.S. Prospectus" and "International Prospectus," respectively, and collectively, the "Prospectuses," except that, (y) if the final U.S. Prospectus or International Prospectus first furnished to the U.S. Underwriters or the International Managers after the execution of this Agreement or the International

Purchase Agreement, as the case may be, for use in connection with the offering of the Offered Securities differs from the prospectuses included in the Registration Statement at the time it becomes effective (whether or not such prospectus is required to be filed pursuant to Rule 424(b)), the terms "U.S. Prospectus," "International Prospectus" and "Prospectuses" shall refer to the final U.S. Prospectus and/or International Prospectus first furnished to the U.S. Underwriters and/or International Managers, as the case may be, for such use and (z) if Rule 434 is relied on, the terms "U.S. Prospectus," "International Prospectus" and "Prospectuses" shall refer to the preliminary U.S. Prospectus and/or International Prospectus last furnished to the U.S. Underwriters and/or International Managers, as the case may be, in connection with the offering of the Offered Securities together with the Term Sheet.

The Company has reserved up to 460,000 of the Initial U.S. Securities to be sold by the Company for offering and sale to certain of the Company's employees and certain other persons pursuant to a reserve share program (the "Reserve Share Program"). These Offered Securities will be sold to the employees and other persons by the U.S. Underwriters pursuant to this Agreement at the public offering price. Any such shares not purchased by such persons by the end of the first business day after either (a) the later of the date on which the Registration Statement and any Rule 462(b) Registration Statement has become effective or (b) if the Company has elected to rely on Rule 430A, the date of this Agreement, will be offered to the public by the U.S. Underwriters as set forth in the U.S. Prospectus.

The Company understands that the U.S. Underwriters propose to make a public offering of the Offered Securities as soon as the U.S. Representatives deem advisable after this Agreement has been executed and delivered.

Section 1. REPRESENTATIONS AND WARRANTIES. (a) The Company represents and warrants to each U.S. Underwriter as of the date hereof and as of the Closing Time referred to in Section 2(c) hereof, as follows:

(i) COMPLIANCE WITH REGISTRATION REQUIREMENTS. The Registration Statement has become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times the Registration Statement and any post-effective amendments thereto became effective and at the Closing Time (and, if any Option Securities are purchased, up to the Date of Delivery referred

to below), the Registration Statement and any amendments or supplements thereto complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regula-

tions and did not contain and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and, to the Company's knowledge, the Prospectuses and preliminary prospectuses comply or will comply in all material respects with any applicable laws or regulations of foreign jurisdictions in which the Prospectuses and preliminary prospectuses, as amended or supplemented, if applicable, are distributed in connection with the Reserve Share Program. The Prospectuses, at the date hereof (unless the term "Prospectuses" refers to prospectuses which have been provided to the U.S. Underwriters by the Company for use in connection with the offering of Offered Securities which differ from the Prospectuses on file at the Commission, in which case at the time the Prospectuses is first provided to the U.S. Underwriters for their use) and at the Closing Time, does not and will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and if Rule 434 is used, the Company will comply with the requirements of Rule 434; PROVIDED, HOWEVER, that the representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or Prospectuses made in reliance upon and in conformity with information furnished to the Company in writing by or on behalf of any Underwriter through the Representatives expressly for use in the Registration Statement or Prospectuses.

(ii) INDEPENDENT ACCOUNTANTS. KPMG Peat Marwick LLP, which are reporting upon certain audited financial statements and supporting schedules included in the Registration Statement, are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iii) FINANCIAL STATEMENTS. The financial statements included in the Registration Statement and the Prospectuses, together with the related schedules and notes present fairly the consolidated financial position of the Company, Guess Italia S.r.l. ("Guess Italia") and Guess Europe B.V. ("Guess Europe" and, together with the Company and Guess Italia, the "Guess Companies") at the dates indicated and the results of operations for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved; and the supporting schedules, if any, included in the Registration Statement present fairly the information required to be stated therein. The selected consolidated financial data and the summary financial data included in the Prospectuses present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements or, in the case of the interim periods presented, the unaudited financial statements of the Guess Companies, in each case included in the Registration Statement. The pro forma financial information of the Guess Companies included in the Prospectuses presents fairly the

information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial information and have been properly compiled on the bases described therein, and, in the opinion of the Company, the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein.

(iv) NO MATERIAL ADVERSE CHANGE IN BUSINESS. Since the respective dates as of which information is given in the Registration Statement and the Prospectuses, except as otherwise stated therein or contemplated thereby, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries (as defined herein) considered as one enterprise (a "Material Adverse Change"), whether or not arising in the ordinary course of business, (B) there have been no transactions entered into by the Company, other than those in the ordinary course of business, which are required to be disclosed under the 1933 Act and the 1933 Act Regulations, and (C) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock, except for a dividend or distribution in respect of the net earnings of the Company from _____ to the Closing Time.

(v) GOOD STANDING OF THE COMPANY. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and to enter into and perform its obligations under this Agreement, and to consummate the transactions with respect to which it is a participant contemplated hereby and thereby and in the Registration Statement (including (i) the reorganization and the S corporation distribution as described in the Prospectuses under the caption "Company History, The Reorganization and Prior S Corporation Status" (collectively, the "Reorganization Transactions"); and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify could not, singly or in the aggregate, reasonably be expected to have a material adverse effect on the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise (a "Material Adverse Effect").

(vi) SUBSIDIARIES. The Company owns, and as of the date of termination of the Company's S corporation status (the "S Termination Date") will own, no equity interest in any entity other than those equity interests listed on Exhibits A and B hereto, respectively (such entities on Exhibit A are hereinafter referred to as the "Subsidiar-

ies"). As of the date hereof and as of the S Termination Date, the Company has, or will have, good and marketable title to all equity interests listed on Exhibit A or B, respectively, free and clear of any pledge, lien, security interest, charge, claim or encumbrance of any kind.

(vii) CAPITALIZATION; AUTHORIZATION AND DESCRIPTION OF OFFERED SECURITIES. At the Closing Time the authorized, issued and outstanding capital stock of the Company will be as set forth in the Prospectuses under the "Actual" column under the caption "Capitalization"; all of the shares of issued and outstanding Common Stock have been duly authorized and validly issued and are fully paid and nonassessable and, to the best knowledge of the Company, are owned of record and beneficially by the Principal Stockholders free and clear of any liens, claims, charges, pledges or encumbrances of any kind, except for restrictions imposed by the Restated Shareholders' Agreement dated _____, 1996 between the Company and the Principal Stockholders; none of the outstanding shares of Common Stock of the Company was issued in violation of preemptive rights of any stockholder of the Company; the Offered Securities to be sold by the Company pursuant to the Purchase Agreements have been duly authorized for issuance and sale to the Underwriters pursuant to the Purchase Agreements and, when issued and delivered by the Company pursuant to the Purchase Agreements against payment of the consideration set forth herein, will be validly issued and fully paid and nonassessable; the Common Stock conforms to all statements relating thereto contained in the Prospectuses and such

description conforms to the rights set forth in the instruments defining the same; no holder of the Offered Securities will be subject to personal liability by reason of being such a holder; and the Offered Securities are not subject to preemptive or other similar rights arising by operation of law, under the charter or bylaws of the Company, under any agreement to which the Company is a party or otherwise.

(viii) ABSENCE OF DEFAULTS AND CONFLICTS. None of the Guess Companies is (a) in violation of its charter or bylaws or (b) in breach or default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan, credit agreement, note, lease or other agreement or instrument to which any of the Guess Companies is a party or by which any of them may be bound, or to which any of their property or assets is subject (collectively, "Agreements and Instruments"), excluding in each case in this clause (b), breaches or defaults which, individually or in the aggregate, could not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect; and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein and in the Registration Statement (including (i) the Reorganization Transactions and (ii) the use of proceeds from the sale of the Offered Securities as described in the Prospectuses under the caption "Use of Proceeds") and compliance by

the Company with its obligations hereunder and thereunder have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Guess Companies pursuant to any Agreements and Instruments (other than with respect to which any of the Guess Companies shall have obtained at or prior to the Closing Time such amendments, waivers or consents, as the case may be, as shall be necessary so that at the Closing Time the representation and warranty contained in this paragraph (viii) shall be accurate without regard to this parenthetical), excluding in each case, conflicts, breaches or defaults which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, nor will such action result in any violation of the provisions of the charter or bylaws of any of the Guess Companies or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over any of the Guess Companies or any of their assets or properties.

(ix) ABSENCE OF LABOR DISPUTES. No labor dispute with the employees of any of the Guess Companies exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of the Guess Companies principal suppliers, manufacturers, customers or contractors, which, in either case, may reasonably be expected to result in a Material Adverse Effect.

The Company is in compliance with all applicable federal, state, and local laws relating to the payment of wages to employees (including, without limitation, the Fair Labor Standards Act, as amended), except insofar as the failure to comply with such laws would not reasonably be expected to have a Material Adverse Effect.

(x) ABSENCE OF PROCEEDINGS. There is no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, now pending or, to the knowledge of the Company, threatened, against or affecting the Company which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which could, singly or in the aggregate, reasonably be expected to result in a Material Adverse Effect, or could, singly or in the aggregate, reasonably be expected to

materially and adversely affect the properties or assets of the Company or which could, singly or in the aggregate, reasonably be expected to materially and adversely affect the consummation of this Agreement or the performance by the Company of its obligations hereunder.

(xi) ACCURACY OF EXHIBITS. There are no contracts or documents to which the Company is a party which are required to be described in or filed as exhibits to the Registration Statement which have not been described, filed or incorporated by reference as required.

(xii) POSSESSION OF INTELLECTUAL PROPERTY. Except as disclosed in the Prospectuses, each of the Guess Companies owns or possesses, or can acquire on reasonable terms, adequate patents, patent licenses, trademarks, service marks and trade names necessary to carry on its business as presently conducted, and none of the Guess Companies have received any notice of infringement of or conflict with asserted rights of others with respect to any patents, patent licenses, trademarks, service marks or trade names that in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a Material Adverse Effect.

(xiii) ABSENCE OF FURTHER REQUIREMENTS. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority, agency or body is necessary or required for the performance by the Company of its obligations hereunder, in connection with the offering or sale of the Offered Securities hereunder or the consummation of the transactions contemplated by this Agreement, except (i) such as have already been obtained or as may be required under the 1933 Act or the 1933 Act Regulations or state securities laws and (ii) such as have been obtained, to the Company's knowledge, under the securities laws and regulations of foreign jurisdictions in which the Offered Securities are offered outside the United States in connection with the Reserve Share Program.

(xiv) POSSESSION OF LICENSES AND PERMITS. Each of the Guess Companies (A) possesses all material governmental certificates, permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") necessary to conduct the business it now operates and (B) has not received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses except, in the case of clauses (A) and (B), as could not reasonably be expected to result in a Material Adverse Effect.

(xv) TITLE TO PROPERTY. Each of the Guess Companies has sufficient title for the use made and proposed to be made of all of its properties, whether real or personal, free and clear of all liens, encumbrances and defects, except as stated in the Prospectuses or such as could not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect; and all of the leases material to the business of the Guess Companies, and under which any of the Guess Companies holds properties described in the Prospectuses, are in full force and effect, and none of the Guess Companies has notice of any material claim of any sort that has been asserted by anyone adverse to the

rights of the Company under any of the leases mentioned above, or affecting or questioning the rights of any of the Guess Companies to the continued possession of such leased premises under any such lease.

(xvi) AUTHORIZATION OF AGREEMENT. Each of the Purchase Agreements

have been duly and validly authorized, executed and delivered by the Company.

(xvii) RELATIONS WITH CUBA. To the knowledge of the Guess Companies, none of the Guess Companies has done, or is presently doing, business with the government of Cuba or with any person located in Cuba.

(xviii) ACCURACY OF DESCRIPTIONS. The descriptions in the Registration Statement of laws, regulations and rules, of legal and governmental proceedings and of contracts, agreements, leases and other documents including, without limitation, under the headings "Description of Capital Stock -- Delaware Law and Certain Corporate Provisions" are accurate in all material respects.

(xix) ENVIRONMENTAL LAWS. Except as could not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect or otherwise require disclosure in the Registration Statement or the Prospectuses, (i) each of the Guess Companies is in compliance with all applicable federal, state or local laws and regulations ("Environmental Laws") relating to pollution or protection of human health or the environment, or otherwise relating to the use, treatment, storage, disposal, transport or handling of toxic or hazardous substances or wastes, or petroleum products ("Materials of Environmental Concern"), including compliance with all permits, licenses, approvals or authorizations ("Permits") required under any Environmental Laws, (ii) with respect to the Company or any person or entity for whom the Company or any Subsidiary has retained or assumed (either contractually or by operation of law) liability therefor, (A) none of the Guess Companies has received any communication from any person or entity alleging violation of any Environmental Laws, and there is no pending or, to its knowledge, threatened claim, action, investigation or notice for site investigations, clean up, response costs, natural resources or property damages, personal injuries, attorney's fees, or penalties (collectively, "Environmental Claims"), and (B) there are no conditions that, to the best knowledge of any of the Guess Companies, could reasonably be expected to form the basis of any Environmental Claim against any of the Guess Companies. The Company has reviewed the Environmental Laws applicable to the Guess Companies' business, operations and properties for the purposes of determining any capital or operating expenditures required or anticipated over the current and the next fiscal year for any site investigation, clean up or remediation, compliance with Environmental Laws or any Permit, or any potential liability to third parties, and, on the basis of such review, the Company has reasonably concluded that such matters

could not have a Material Adverse Effect or otherwise require disclosure in the Registration Statement or Prospectuses.

(xx) NO RELATED PARTY TRANSACTIONS. Except as disclosed in the Prospectuses, there are no (i) outstanding loans, advances or guarantees of indebtedness by any of the Guess Companies to or for the benefit, directly or indirectly, of any of the officers or directors of any of the Guess Companies or (ii) any other related party transactions required by the 1933 Act or by the 1933 Act Regulations to be disclosed in the Prospectuses.

(xxi) INTERNAL ACCOUNTING METHODOLOGY. The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xxii) TAXES. The Company has filed all material federal, state and foreign income and franchise tax returns and has paid all taxes shown as due thereon, other than taxes which are being contested in good faith and for which adequate reserves have been established in accordance with GAAP; and the Company has no knowledge of any tax deficiency which has been or might be asserted or threatened against the Company which would reasonably be expected to have a Material Adverse Effect. No material Federal, state, local or foreign transfer, sales or other taxes will be imposed on the Company as a result of the consummation of the Reorganization Transactions [other than _____].

(xxiii) Effective as of August 1, 1983, the Company validly elected S Corporation status (as defined in Section 1361 of the Internal Revenue Code of 1986, as amended (the "Code")) for federal and certain state income tax purposes and has validly continued to qualify as an S corporation in each such jurisdiction since such date and will continue to so qualify until the S Termination Date.

(xxiv) NYSE APPLICATION. The Common Stock has been approved for listing on the New York Stock Exchange (the "NYSE") under the symbol "GES," subject to notice of official issuance.

(b) Each of the Principal Stockholders represents and warrants to, and agrees with, each U.S. Underwriter as of the date hereof and as of the Closing Time as follows:

(i) Prior to the Closing Time, each of the Principal Stockholders shall contribute all of the outstanding shares of MI held by such Principal Stockholders to the Company (the "Contribution"). Immediately prior to the Contribution, all of the outstanding shares of capital stock of MI had been duly authorized and validly issued and were fully paid and nonassessable. The Maurice Marciano Trust represents and warrants that immediately prior to the Contribution it owned of record and beneficially 44.8% of the outstanding shares of capital stock of MI; the Paul Marciano Trust represents and warrants that, immediately prior to the Contribution, it owned of record and beneficially 35.5% of the outstanding shares of capital stock of MI; and the Armand Marciano Trust represents and warrants that, immediately prior to the Contribution, it owned of record and beneficially 19.7% of the outstanding shares of capital stock of MI. Each Principal Stockholder represents and warrants that, immediately prior to the Contribution, it had good and marketable title to all such shares, free and clear of any pledge, lien, security interest, charge, claim or encumbrance of any kind.

(ii) Each Principal Stockholder is familiar with the Prospectuses and has (A) no reason to believe that the representations and warranties of the Company in Section 1(a) above are not accurate in all material respects, (B) no knowledge of any material fact, condition or information not disclosed in the Prospectuses that has adversely affected or should reasonably be expected to materially and adversely affect the business of the Company and its Subsidiaries, taken as a whole, after giving effect to the Reorganization Transactions, or (C) no reason to believe that the Prospectuses contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) Any certificate signed by any officer of the Company and delivered to the U.S. Representatives or to counsel for the U.S. Underwriters shall be deemed a representation and warranty by the Company to each U.S. Underwriter, as to the matters covered thereby.

(d) The liability of the Principal Stockholders for breach of the representation and warranty set forth in clause (b)(ii) above is limited as set forth in Section 6(a) below.

Section 2. SALE AND DELIVERY TO U.S. UNDERWRITERS; CLOSING. (a) On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell the number of U.S. Securities set forth in Schedule B to each U.S. Underwriter, and each U.S. Underwriter, severally and not jointly, agrees to purchase from the Company, at the price per share set forth in Schedule C, the number of Initial U.S. Securities set forth in Schedule A opposite the name of such U.S.-

Underwriter, plus any additional number of Initial U.S. Securities which such U.S. Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof.

(b) In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company hereby grants an option to the U.S. Underwriters, severally and not jointly, to purchase up to all of the Option U.S. Securities at the purchase price per share set forth in Schedule C. The option granted will expire 30 days after the date hereof and may be exercised, in whole or in part (but not more than once), only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Initial U.S. Securities upon notice by the U.S. Representatives to the Company setting forth the number of Option U.S. Securities as to which the several U.S. Underwriters are then exercising the option and the time and date of payment and delivery for such Option U.S. Securities. Such time and date of delivery (a "Date of Delivery") shall be determined by the U.S. Representatives, but shall not be later than the third (fourth, if the exercise occurs after 4:30 P.M. New York time) full business day after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined, unless otherwise agreed by the U.S. Representatives and the Company. If the option is exercised as to all or any portion of the Option U.S. Securities, each of the U.S. Underwriters, acting severally and not jointly, will purchase that proportion of the total number of Options U.S. Securities then being purchased which the number of Initial U.S. Securities set forth in Schedule A opposite the name of such U.S. Underwriter bears to the total number of Initial U.S. Securities, subject in each case to such adjustments as the U.S. Representatives in their discretion shall make to eliminate any purchases of fractional interests, plus any additional number of Option U.S. Securities which such U.S. Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof.

(c) Payment of the purchase price for the Initial U.S. Securities shall be made at the office of Skadden, Arps, Slate, Meagher & Flom, 300 South Grand Avenue, Los Angeles, California, or at such other place as shall be agreed upon by the U.S. Representatives and the Company, at 7:00 A.M. California time on the third (fourth, if the pricing occurs after 4:30 P.M. New York time) business day (unless postponed in accordance with the provisions of Section 10) after the date hereof, or such other time not later than ten business days after such date as shall be agreed upon by the U.S. Representatives and the Company (such time and date of payment and delivery being herein called the "Closing Time"). Payment shall be made to the Company by wire transfer of immediately available funds payable to a bank account designated by the Company against delivery to the U.S. Representatives for the respective accounts of the U.S. Underwriters of certificates for the Initial U.S. Securities to be purchased by them. Certificates for the Initial U.S. Securities shall be in such denominations and registered in such names as the U.S. Representatives may request in writing at least two business days before the Closing Time. It is understood that each U.S. Underwriter has authorized the U.S. Representatives, for their account, to accept delivery of, receipt for, and make payment

of the purchase price for, the Initial U.S. Securities which it has agreed to purchase. Merrill Lynch, individually and not as representative of the U.S. Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Initial U.S. Securities to be purchased by any U.S. Underwriter whose funds have not been received by the Closing Time, but such payment shall not relieve such U.S. Underwriter from its obligations hereunder. The certificates for the Initial U.S. Securities will be made available for examination and packaging by the U.S. Representatives not later than 10:00 A.M. on the last business day prior to the Closing Time.

(d) In addition, in the event that any or all of the Option U.S. Securities are purchased by the U.S. Underwriters, payment of the purchase price for such Option U.S. Securities shall be made at the above-mentioned offices of Skadden, Arps, Slate, Meagher & Flom, or at such other place as shall be agreed upon by the U.S. Representatives and the Company, on the Date of Delivery as specified in the notice from the U.S. Representatives to the Company. Payment shall be made to the Company by wire transfer of immediately available funds to a bank account designated by the Company, against delivery to the U.S. Representatives for the respective accounts of the U.S. Underwriters of certificates for the Option U.S. Securities to be purchased by them. Certificates, if any, for the Option U.S. Securities, if any, shall be in such denominations and registered in such names as the U.S. Representatives may request in writing at least two business days before the Closing Time or the relevant Date of Delivery, as the case may be. It is understood that each U.S. Underwriter has authorized the U.S. Representatives, for their accounts, to accept delivery of, receipt for, and make payment of the purchase price for the Option U.S. Securities, if any, which it has agreed to purchase. Merrill Lynch, individually and not as representative of the U.S. Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Option U.S. Securities, if any, to be purchased by any U.S. Underwriter whose funds have not been received by the relevant Date of Delivery, as the case may be, but such payment shall not relieve such U.S. Underwriter from its obligations hereunder. The certificates for the Option U.S. Securities, if any, will be made available for examination and packaging by the U.S. Representatives not later than 10:00 A.M. on the last business day prior to the relevant Date of Delivery. For purposes of this agreement, "business day" means a day on which the NYSE is open for business.

(e) The U.S. Underwriters agree to serve a maximum of 750,000 Initial U.S. Shares for offering and sale to directors, officers, employees, business associates and related persons of the Company, at the public offering price. Any such shares not purchased by such persons by the end of the second business day after either (a) the later of the date on which the Registration Statement and any Rule 462(b) Registration Statement has become effective or, (b) if the Company has elected to rely upon Rule 430A, the date of the Prospectus, will be offered to the public by the U.S. Underwriters as set forth in the Prospectus.

Section 3. COVENANTS OF THE COMPANY. The Company covenants with each U.S. Underwriter as follows:

(a) The Company, subject to Section 3(b), will comply with the requirements of Rule 430A and will notify the U.S. Representatives immediately of (i) the effectiveness of the Registration Statement and of the effectiveness of any post-effective amendment to the Registration Statement or of the filing of any amendment or supplement to the U.S. Prospectus, (ii) the receipt of any comments from the Commission, (iii) any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the U.S. Prospectus or for additional information, and (iv) the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any order preventing or suspending the use of any preliminary prospectus, or the suspension of the qualification of the U.S. Securities for offering or sale in any jurisdiction or the initiation or threatening of any

proceedings for that purpose. If the Company has elected to rely on Rule 430A, the Company will promptly effect the filings necessary pursuant to Rule 424(b) and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) The Company will give the U.S. Representatives notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b)), any Term Sheet or any amendment, supplement or revision to either the prospectus included in the Registration Statement at the time it became effective or to the U.S. Prospectus will furnish the U.S. Representative with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the U.S. Representatives or counsel for the U.S. Underwriters shall reasonably object.

(c) The Company will deliver to the U.S. Representatives and counsel for the U.S. Underwriters signed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith) and signed copies of all consents and certificates of experts and will also deliver to the U.S. Representatives a conformed copy of the Registration Statement as originally filed and of each amendment or post-effective amendment or supplement or Term Sheet thereto (without exhibits) for each of the U.S. Underwriters.

(d) The Company has delivered to each U.S. Underwriter, without charge, as many copies of each preliminary prospectus as such U.S. Underwriter reasonably requested, and the Company hereby consents to the use of such copies for the purposes permitted by the 1933

Act. The Company will furnish to each U.S. Underwriter, without charge, from time to time, during the period when the U.S. Prospectus is required to be delivered under the 1933 Act or the Securities Exchange Act of 1934, as amended (the "1934 Act"), such number of copies of the U.S. Prospectus (as amended or supplemented) and the Term Sheet, if any, as such U.S. Underwriter may reasonably request for the purposes contemplated by the 1933 Act, the 1933 Act Regulations, the 1934 Act or the rules and regulations of the Commission under the 1934 Act (the "1934 Act Regulations").

(e) The Company will comply with the 1933 Act and the 1933 Act Regulations and the 1934 Act and the 1934 Act Regulations so as to permit the completion of the distribution of the Offered Securities as contemplated in this Agreement and in the U.S. Prospectus. If at any time when a prospectus is required to be delivered in connection with such distribution of the U.S. Securities any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the U.S. Underwriters or for the Company, to amend the Registration Statement or amend or supplement the U.S. Prospectus in order that the U.S. Prospectus will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement the U.S. Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the U.S. Prospectus comply with such requirements, and the Company will furnish to the U.S. Underwriters such number of copies of such amendment or supplement as the Representatives shall reasonably request.

(f) The Company will endeavor, in cooperation with the U.S. Underwriters, to qualify the Offered Securities for offering and sale under the applicable

securities laws of such states and other jurisdictions of the United States as the U.S. Representatives may designate; PROVIDED, HOWEVER, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise subject. In each jurisdiction in which the Offered Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the date hereof and the effective date of any Rule 462(b) Registration Statement. The Company will inform the Florida Department of Banking and Finance if, to the best of its knowledge, prior to the completion of the distribution of the Offered Securities by the U.S. Underwriters, the Company commences engaging in business with the government of Cuba or with any person or affiliate located in Cuba. Such information will be

provided within 90 days of the commencement thereof or after a change to any such previously reported information.

(g) The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its security holders as soon as practicable, but not later than 60 days after the close of the period covered thereby, an earnings statement (in form complying with the provisions of Rule 158 of the 1933 Act Regulations) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the "effective date" (as defined in said Rule 158) of the Registration Statement.

(h) During a period of 180 days from the date hereof, the Company will not, without Merrill Lynch's prior written consent, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any share of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Offered Securities to be sold hereunder or under the International Purchase Agreement, (B) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to (I) any existing employment agreement or (II) existing employee benefit plans of the Company referred to in the U.S. Prospectus or (C) any shares of Common Stock issued pursuant to any existing non-employee director stock plan or dividend reinvestment plan referred to in the U.S. Prospectus.

(i) If the Company uses Rule 434 of the 1933 Act Regulations, it will comply with the requirements of Rule 434 of such regulations and the U.S. Prospectus will not be "materially different," as such term is used in Rule 434 of the 1933 Act Regulations, from the U.S. Prospectus first given to the U.S. Underwriters for their use.

(j) The Company will use its best efforts to effect the listing of the Offered Securities on the NYSE.

(k) The Company will use the net proceeds received by it from the sale of the Offered Securities in the manner specified in the U.S. Prospectus under the caption "Use of Proceeds."

(l) The Company will file with the Commission such reports on Form SR as may be required pursuant to Rule 463 of the 1933 Act Regulations.

(m) If the Company elects to rely upon Rule 462(b), the Company shall both file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) and pay the applicable fees in accordance with Rule 111 of the 1933 Act Regulations by the time confirmations are sent or given, as specified by Rule 462(b)(2).

(n) The Company hereby agrees that it will ensure that the Offered Securities sold to persons pursuant to the Reserve Share Program will be restricted as required by the National Association of Securities Dealers, Inc. (the "NASD") or the NASD rules from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of the effectiveness of the Registration Statement. The U.S. Underwriters will notify the Company as to which persons will need to be so restricted. At the request of the U.S. Underwriters, the Company will direct the transfer agent to place a stop transfer restriction upon such securities for such period of time. Should the Company release, or seek to release, from such restrictions any Offered Securities sold pursuant to the Reserve Share Program, the Company agrees to reimburse the U.S. Underwriters for any reasonable expenses including, without limitation, legal expenses they incur directly in connection with such release.

Section 4. PAYMENT OF EXPENSES. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment thereto, including any post-effective amendments, (ii) the preparation, issuance and delivery of the certificates for the U.S. Securities, if any, to the U.S. Underwriters, including any stock transfer taxes payable upon the sale of the Offered Securities to the Underwriters and the transfer of the Offered Securities between the U.S. Underwriters and the International Managers, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the qualification of the Offered Securities under securities laws in accordance with the provisions of Section 3(f) hereof, including reasonable filing fees and the fees and disbursements of counsel for the U.S. Underwriters in connection therewith and in connection with the preparation, printing and delivery to the U.S. Underwriters of copies of the Blue Sky Survey and any supplement thereto, (v) the printing and delivery to the U.S. Underwriters of copies of the Registration Statement as originally filed and of each amendment thereto, of each preliminary prospectus, any Term Sheets and of the U.S. Prospectus and any amendments or supplements thereto, (vi) the fees and expenses of the listing of the Common Stock on the NYSE, (vii) the filing fees incident to, and the reasonable fees and disbursements of counsel to the U.S. Underwriters in connection with, the review by the National Association of Securities Dealers, Inc. (the "NASD") of the terms of the sale of the Offered Securities, (viii) the copying and distribution to the U.S. Underwriters of this Agreement, the agreement among U.S. Underwriters, the International Purchase Agreement, the agreement among International Managers and the Intersyndicate Agreement, (ix) the fees and expenses of any transfer agent or registrar for the Common Stock, (x) the reasonable fees and disbursements of counsel to the Company and the U.S. Underwriters in connection with

the Reserve Share Program, and (xi) stamp duties or similar taxes or duties, if any, incurred by the U.S. Underwriters in connection with the Reserve Share Program.

If this Agreement is terminated by the U.S. Representatives in accordance with the provisions of Section 5, 9(a)(i) or 11 hereof, the Company shall reimburse the U.S. Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the U.S. Underwriters.

Section 5. CONDITIONS OF U.S. UNDERWRITERS' OBLIGATIONS. The obligations of the several U.S. Underwriters to purchase and pay for the U.S. Securities that they have respectively agreed to purchase pursuant to this Agreement (including any U.S. Option Securities as to which the option granted in Section 2 has been exercised and the Date of Delivery determined by you is the same as the Closing Time) are subject to the accuracy in all material respects (except that such phrase "in all material respects" shall be disregarded to the extent any such representation and warranty is qualified by "material," "material adverse change," "Material Adverse Effect" or any phrase using any such term) of the representations and warranties of the Company and the Principal Stockholders herein contained or in certificates of any officer of any of the Company or certificates by or on behalf of the Principal Stockholders delivered pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder, and to the following further conditions:

(a) The Registration Statement, including any Rule 462(b) Registration Statement, shall have become effective on the date of this Agreement. At the Closing Time, no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with. The price of the Offered Securities and any price-related information previously omitted from the effective Registration Statement and any Term Sheet used pursuant to Rule 434 shall have been transmitted to the Commission for filing pursuant to Rule 424(b) within the prescribed time period and, prior to the Closing Time, the Company shall have provided evidence satisfactory to the U.S. Representatives of such timely filing, or a post-effective amendment providing such information shall have been promptly filed and declared effective.

(b) At the Closing Time, the U.S. Representatives shall have received:

(i) The favorable opinion, dated as of the Closing Time, of Shearman & Sterling, special counsel for the Company, substantially in the form attached hereto as Exhibit C and in form and substance satisfactory to counsel for the Underwriters.

(ii) The favorable opinion, dated as of the Closing Time, of Skadden, Arps, Slate, Meagher & Flom, counsel for the U.S. Underwriters, with respect to the matters set forth in (a), (e), (f) (solely as to preemptive rights arising by operation of law or under the charter or bylaws of the Company), (h) thru (j), inclusive, and (l) (solely as to the information in the Prospectuses under the caption "Description of Capital Stock"), of Exhibit C, except that, with respect to the matters referred to in (e), no opinion need be expressed as to whether any of the Company's outstanding shares of Common Stock, other than the Offered Securities, have been duly authorized or validly issued or are fully paid or nonassessable.

In addition, Skadden, Arps, Slate, Meagher & Flom shall state that they have participated in conferences with directors, officers and other representatives of the Company, the Representatives, the Company's independent accountants and counsel for the Underwriters at which conferences the contents of the Registration Statement and the Prospectuses and related matters were discussed and, although they are not passing upon, and they do not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the Registration Statement or Prospectuses (except for financial statements and other financial data included therein), and they have not made any independent check or verification thereof, on the basis of the foregoing, nothing has come to their attention that would lead them to believe that the Registration Statement including the Rule 430A Information and Rule 434 Information (if applicable), (except for financial statements and schedules and other financial data included therein, as to which such counsel need make no

statement), at the time it became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectuses or any amendment or supplement thereto (except for financial statements and schedules and other financial data included as to which such counsel need make no statement), at the time the Prospectuses were issued, at the time any such amended or supplemental prospectus was issued or at the Closing Time, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) At the Closing Time there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement and the

Prospectuses, any Material Adverse Change, whether or not arising in the ordinary course of business, and the U.S. Representatives shall have received a certificate of the chief executive officer of the Company and of the chief financial officer of the Company, dated as of the Closing Time, to the effect that (i) since the respective dates as of which information is given in the Registration Statement and the Prospectuses, there has been no such Material Adverse Change, (ii) the representations and warranties of the Company in Section 1(a) hereof are true and correct in all material respects (except that such phrase "in all material respects" shall be disregarded to the extent any such representation and warranty is qualified by "material," "material adverse change," "Material Adverse Effect" or any phrase using any such term) with the same force and effect as though expressly made at and as of the Closing Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been initiated or threatened by the Commission and (y) a certificate of the Principal Stockholders, dated as of the Closing Time, to the effect that (i) the representations and warranties of the Principal Stockholders in Section 1(b) hereof are true and correct in all material respects (except that such phrase "in all material respects" shall be disregarded to the extent any such representation and warranty is qualified by "material," "material adverse change," "Material Adverse Effect" or any phrase using any such term) with the same force and effect as though expressly made at and as of the Closing Time and (ii) the Principal Stockholders have complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time.

(d) At the time of the execution of this Agreement, the U.S. Representatives shall have received from KPMG Peat Marwick LLP, a letter dated such date, in form and substance satisfactory to the U.S. Representatives, to the effect that (i) they are independent public accountants with respect to the Company within the meaning of the 1933 Act and the 1933 Act Regulations; (ii) it is their opinion that the financial statements and supporting schedules included in the Registration Statement and covered by their opinions therein comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1933 Act Regulations; (iii) based upon the limited procedures set forth in detail in such letter, nothing has come to their attention which causes them to believe that (A) the unaudited financial statements and supporting schedules of the Company included in the Registration Statement do not comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1933 Act Regulations or are not presented in conformity with GAAP applied on a basis substantially consistent with that of the audited financial statements included in the Registration Statement, (B) the unaudited income statement data set forth under "Selected Financial Data" in the Prospectuses were not determined on a basis substantially consistent with that used in determining the corresponding amounts in the audited financial statements included in the Registration Statement, or (C) at a specified date

not more than five days prior to the date of this Agreement, there has been any change in the capital

stock of the Company or any increase in the long term debt of the Company or any decrease in current assets or total assets as compared with the amounts shown in the balance sheet included in the Registration Statement or, during the period from June 30, 1996 to a specified date not more than five days prior to the date of this Agreement, there were any decreases, as compared with the corresponding period in the preceding year, in net sales, net income, or net income per share of the Company, except in all instances for changes, increases or decreases which the Registration Statement and the Prospectuses disclose have occurred or may occur or which are otherwise immaterial to the Company and its Subsidiaries considered as one enterprise; and (iv) in addition to the audit referred to in their opinions and the limited procedures referred to in clause (iii) above, they have carried out certain specified procedures, not constituting an audit, with respect to certain amounts, percentages and financial information which are included in the Registration Statement and Prospectuses and which are specified by the U.S. Representatives, and have found such amounts, percentages and financial information to be in agreement with the relevant accounting, financial and other records of the Company identified in such letter. Such letter shall also include such statements regarding pro forma financial information as the U.S. Representatives shall reasonably request.

(e) At the Closing Time, the U.S. Representatives shall have received from KPMG Peat Marwick L.L.P., a letter, dated as of the Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (d) of this Section, except that the specified date referred to shall be a date not more than five days prior to the Closing Time and, to the further effect that they have each carried out procedures as specified in clause (iv) of subsection (d) of this Section with respect to certain amounts, percentages and financial information specified by the U.S. Representatives and have found such amounts, percentages and financial information to be in agreement with the records specified in such clause (iv).

(f) At the Closing Time and at the Date of Delivery, the U.S. Securities shall have been approved for listing on the NYSE, subject only to official notice of issuance.

(g) The NASD shall not have raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(h) At the Closing Time, the Reorganization Transactions shall have been consummated substantially as described in the Prospectuses.

(i) At the Closing Time and at the Date of Delivery, if any, counsel for the U.S. Underwriters shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the U.S. Securities as herein contemplated and related proceedings, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the

issuance and sale of the Offered Securities as herein contemplated shall be satisfactory in form and substance to the U.S. Representatives and counsel for the U.S. Underwriters.

(j) In the event that the U.S. Underwriters exercise their option provided in Section 2(b) hereof to purchase all or any portion of the Option U.S. Securities, the representations and warranties of the Company contained herein

and the statements in any certificates furnished by the Company hereunder shall be true and correct as of the Date of Delivery and, at the Date of Delivery, the U.S. Representatives shall have received:

(i) A certificate, dated such Date of Delivery, of the chairman and chief executive officer of the Company and of the chief financial officer of the Company, confirming that the respective certificate delivered at the Closing Time pursuant to Section 5(c) hereof remains true and correct as of such Date of Delivery.

(ii) The favorable opinion of Shearman & Sterling, counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the Option U.S. Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b)(i) hereof.

(iii) The favorable opinion of Skadden, Arps, Slate, Meagher & Flom, counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the Option U.S. Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b)(ii) hereof.

(iv) A letter from KPMG Peat Marwick LLP, in form and substance satisfactory to the U.S. Representatives and dated such Date of Delivery, substantially the same in form and substance as the letters furnished to the U.S. Representatives pursuant to Section 5(e) hereof, except that the "specified date" in the letter furnished pursuant to this Section 5(i)(iv) shall be a date not more than five days prior to such Date of Delivery.

If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the U.S. Representatives by notice to the Company at any time at or prior to the Closing Time, and such termination shall be without liability of any party to any other party except as provided in Section 4 hereof.

Section 6. INDEMNIFICATION. (a) The Company and each of the Principal Stockholders severally agrees as to himself or itself to indemnify and hold harmless each U.S. Underwriter and each person, if any, who controls any U.S. Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus or the Prospectuses (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; PROVIDED THAT (subject to Section 6(d) below) any such settlement is effected with the written consent of the Company and such Principal Stockholder;

(iii) against any and all expense whatsoever, as incurred (including

the fees and disbursements of counsel chosen by Merrill Lynch), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above; and

(iv) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of an untrue statement or alleged untrue statement of a material fact contained in the prospectus wrapper material prepared by or with the consent of the Company for distribution in foreign jurisdictions in connection with the Reserve Share Program attached to the Prospectuses or any preliminary prospectus or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, when considered in conjunction with the Prospectuses or such preliminary prospectus, not misleading;

PROVIDED, HOWEVER, that such indemnity of each Principal Stockholder shall (x) be with reference to information relating to such Principal Stockholder furnished to the Company in writing by such Principal Stockholder expressly for use in the Registration Statement, any preliminary prospectus, the Prospectuses or any amendments or supplements thereto or (y) arise out of any material breach or alleged material breach of any representation, warranty,

covenant or agreement of such Principal Stockholder contained in this Agreement and PROVIDED, FURTHER, that (x) each Principal Stockholder's aggregate liability under this Section 6 and for any breach of the representations and warranties of such Principal Stockholder set forth in Section 1(b)(ii) of this Agreement (together with any liability of such Principal Stockholder under Section 6 of the International Purchase Agreement or for any breach of the representations and warranties set forth in Section 1(b)(ii) of the International Purchase agreement) shall be limited to an amount equal to the aggregate amount of undistributed earnings previously allocated, represented by promissory notes previously distributed and to be subsequently paid out of the proceeds of the offerings, to such Principal Stockholder; (y) the foregoing indemnity agreement by the Company or such Principal Stockholder does not apply to any loss, liability, claim, damage or expense to the extent arising out of an untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by any U.S. Underwriter through you expressly for use in the Registration Statement (or any amendment thereto, including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary U.S. prospectus or the U.S. Prospectus (or any amendment or supplement thereto) and (z) if the Company has complied with its obligations under Section 3(e) hereof, the foregoing indemnity agreement with respect to any preliminary U.S. prospectus shall not inure to the benefit of any U.S. Underwriter from whom the person asserting any such loss, claim, damage or liability purchased Offered Securities (or any person who controls such U.S. Underwriter within the meaning of Section 15 of the 1933 Act) if a copy of the U.S. Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of any Underwriter to such person, if such is required by law, at or prior to the written confirmation of the sale of such Offered Securities to such person and if the U.S. Prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability.

In making a claim for indemnification under this Section 6 (other than pursuant to clause (a)(iii) of this Section 6) or contribution under Section 7 hereof by the Company or the Principal Stockholders, the indemnified parties may proceed against either (1) both the Company and the Principal Stockholders jointly or (2) the Company only, but may not proceed solely against the Principal Stockholders. In the event that the indemnified parties are entitled

to seek indemnity or contribution hereunder against any loss, liability, claim, damage or expense to which this paragraph applies then, as a precondition to any indemnified party obtaining indemnification or contribution from any of the Principal Stockholders, the indemnified parties shall first obtain a final judgment from a trial court that such indemnified parties are entitled to indemnity or contribution under this Agreement from the Company and the Principal Stockholders with respect to such loss, liability, claim, damage or expense (the "Final Judgment") and shall seek to satisfy such Final Judgment in full from the Company by making a written demand upon the Company for such satisfaction. Only in the event such Final Judgment shall remain unsatisfied in whole or in part 45 days following the date of

receipt by the Company of such demand shall any indemnified party have the right to take action to satisfy such Final Judgment by making demand directly on the Principal Stockholders (but only if and to the extent the Company has not already satisfied such Final Judgment, whether by settlement, release or otherwise). The indemnified parties may exercise this right to first seek to obtain payment from the Company and thereafter obtain payment from the Principal Stockholders without regard to the pursuit by any party of its rights to the appeal of such Final Judgment. The indemnified parties shall, however, be relieved of their obligation to first obtain a Final Judgment, to seek to obtain payment from the Company with respect to such Final Judgment or, having sought such payment, to wait such 45 days after failure by the Company to immediately satisfy any such Final Judgment if (A) the Company files a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code"), (B) an order for relief is entered against the Company in an involuntary case under the Bankruptcy Code, (C) the Company makes an assignment for the benefit of its creditors, or (D) any court orders or approves the appointment of a receiver or custodian for the Company or a substantial portion of its assets. The foregoing provisions of this paragraph are not intended to require any indemnified party to obtain a Final Judgment against the Company or the Principal Stockholders before obtaining reimbursement of expenses pursuant to clause (a)(iii) of this Section 6. However, the indemnified parties shall first seek to obtain such reimbursement in full from the Company by making a written demand upon the Company for such reimbursement. Only in the event such expenses shall remain unreimbursed in whole or in part 45 days following the date of receipt by the Company of such demand shall any indemnified party have the right to receive reimbursement of such expenses from the Principal Stockholders by making written demand directly on the Principal Stockholders (but only if and to the extent the Company has not already satisfied the demand for reimbursement, whether by settlement, release or otherwise). The indemnified parties shall, however, be relieved of their obligation to first seek to obtain such reimbursement in full from the Company or, having made written demand therefor, to wait such 45 days after failure by the Company to immediately reimburse such expenses if (I) the Company files a petition for relief under the Bankruptcy Code, (II) an order for relief is entered against the Company in an involuntary case under the Bankruptcy Code, (III) the Company makes an assignment for the benefit of its creditors, or (IV) any court orders or approves the appointment of a receiver or custodian for the Company or a substantial portion of its assets. Notwithstanding anything to the contrary contained herein, the provisions of this paragraph shall not apply to any claim for indemnity pursuant to clause (a)(ii) (if the indemnified parties are entitled to seek indemnity under such clause (a)(ii) with respect to a settlement that has been effected with the written consent of such Principal Stockholder but not with the written consent of the Company).

(b) Each U.S. Underwriter severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act and the Principal Stockholders against any and all loss, liability,

claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or the U.S. Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such U.S. Underwriter through the U.S. Representatives expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the U.S. Prospectus (or any amendment or supplement thereto).

(c) Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder or which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 6(a) above, counsel to the indemnified parties shall be selected by Merrill Lynch, and, in the case of parties indemnified pursuant to Section 6(b) above, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such actions; PROVIDED, HOWEVER, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request (provided that in the case of a request to the Principal Stockholders, the requirement to wait 45 days after making a demand for reimbursement for expenses from the Company shall have been satisfied or is not applica-

ble pursuant to the terms of Section 6(a)), (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(e) The provisions of this Section 6 and Section 7 hereof shall not affect any agreement among the Company and any Principal Stockholder with respect to indemnification and contribution.

(f) In connection with the Reserve Share Program, the Company agrees to indemnify and hold harmless the U.S. Underwriters from and against any and all losses, expenses and liabilities incurred by them as a result of (i) the failure of the designated employees or other persons to pay for and accept delivery of shares which, immediately following the effectiveness of the Registration Statement, were subject to a properly confirmed agreement to purchase and (ii) the violation of any securities laws of foreign jurisdictions where Offered Securities are offered pursuant to the Reserve Share Program.

Section 7. CONTRIBUTION. If the indemnification provided for in Section 6 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Principal Stockholders, on the one hand, and the U.S. Underwriters, on the other hand, from the offering of the Offered Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Principal Stockholders, on the one hand, and the U.S. Underwriters, on the other hand, in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company and the Principal Stockholders, on the one hand, and the U.S. Underwriters, on the other hand, in connection with the offering of the Offered Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Offered Securities pursuant to this Agreement (before deducting expenses) received by the Company (including any proceeds transferred to the Principal Stockholders directly or indirectly) and the total underwriting discount received by the U.S. Underwriters, in each case as set forth on the cover of the U.S. Prospectus, or, if Rule 434 is used, the corresponding location on the Term Sheet, bear to the aggregate initial public offering price of the Offered Securities as set forth on such cover.

The relative fault of the Company and the Principal Stockholders, on the one hand, and the U.S. Underwriters, on the other hand, shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Principal Stockholders or by the U.S. Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Principal Stockholders and the U.S. Underwriters agree that it would not be just and equitable if contribution pursuant to this Section were determined by pro rata allocation (even if the U.S. Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or allegedly untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, no U.S. Underwriter shall be required to contribute any amount in excess of the amount by which the

total price at which the U.S. Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such U.S. Underwriter has otherwise been required to pay by reason of such untrue or allegedly untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, the aggregate liability of each Principal Stockholder under this Section 7 and for any breach of the representation and warranty of such Principal Stockholder set forth in Section 1(b)(ii) of this Agreement (together with any liability of such Principal Stockholder under Section 7 of the International Purchase Agreement or for any breach of the representation and warranty set forth in Section 1(b)(ii) of the International Purchase Agreement) shall be limited to an amount equal to the aggregate amount of undistributed earnings previously allocated, represented by promissory notes previously distributed and to be subsequently paid out of the proceeds of the offerings, to such Principal Stockholder.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section, each person, if any, who controls a U.S. Underwriter within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as such U.S. Underwriter, and each director of the Company, each

officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as the Company.

For purposes of this Section, each person, if any, who controls a U.S. Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such U.S. Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The U.S. Underwriters' respective obligations to contribute pursuant to this Section are several in proportion to the number of Initial U.S. Securities set forth opposite their respective names in Schedule A hereto and not joint.

Section 8. REPRESENTATIONS, WARRANTIES, AGREEMENTS AND INDEMNITIES TO SURVIVE DELIVERY. All representations, warranties, agreements and indemnities contained in this Agreement, or contained in certificates of officers of the Company or the Principal Stockholders submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any U.S. Underwriter or controlling person, or by or on behalf of the Company or the Principal Stockholders, and shall survive delivery of the U.S. Securities to the U.S. Underwriters.

Section 9. TERMINATION OF AGREEMENT. (a) The U.S. Representatives may terminate this Agreement, by notice to the Company, at any time at or prior to the Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the U.S. Prospectus, any Material Adverse Change, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or elsewhere or any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the U.S. Representatives, impracticable to market the U.S. Securities or to enforce contracts for the sale of the U.S. Securities, or (iii) if trading in the Common Stock has been suspended or limited by the Commission or the NYSE, or if trading generally on the NYSE or in the over-the-counter market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by such exchange or systems or by

order of the Commission, the NASD or any other governmental authority, or (iv) if a banking moratorium has been declared by either federal, New York or California authorities.

(b) If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6 and 7 shall survive such termination and remain in full force and effect.

Section 10. DEFAULT BY ONE OR MORE OF THE U.S. UNDERWRITERS. If one or more of the U.S. Underwriters shall fail at the Closing Time to purchase the Initial U.S. Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the U.S. Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting U.S. Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the U.S. Representatives shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the Offered Securities, each of the non-defaulting U.S. Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting U.S. Underwriters, or

(b) if the number of Defaulted Securities exceeds 10% of the Offered Securities, this Agreement shall terminate without liability on the part of any non-defaulting U.S. Underwriter.

No action taken pursuant to this Section shall relieve any defaulting U.S. Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement, either the U.S. Representatives or the Company shall have the right to postpone the Closing Time for a period not exceeding seven days in order to effect any required changes in the Registration Statement or U.S. Prospectus or in any other documents or arrangements.

Section 11. DEFAULT BY THE COMPANY. If the Company shall fail at the Closing Time or at the Date of Delivery to sell and deliver the number of U.S. Securities which it is obligated to sell hereunder, then the U.S. Underwriters may, at their option, by notice from the U.S. Representatives to the Company terminate this Agreement without any liability on the part of any non-defaulting party except as provided in Section 4.

Section 12. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the U.S. Underwriters shall be directed to the

U.S. Representatives, c/o Merrill Lynch & Co. at 10900 Wilshire Boulevard, Suite 900, Los Angeles, California 90024, attention of James F. Flaherty, III, Managing Director; notices to the Company or any Principal Stockholder shall be directed to the Company or such Principal Stockholder, as the case may be, at Guess ?, Inc., 1444 South Alameda Street, Los Angeles, California 90021, Attention: Maurice Marciano.

Section 13. PARTIES. This Agreement shall inure to the benefit of

and be binding upon the U.S. Underwriters, the Principal Stockholders and the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the U.S. Underwriters, the Principal Stockholders and the Company and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the U.S. Underwriters, the Principal Stockholders and the Company and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of U.S. Securities from any U.S. Underwriter shall be deemed to be a successor by reason merely of such purchase.

Section 14. GOVERNING LAW AND TIME. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SAID STATE. Except as otherwise set forth herein, specified times of the day refer to New York City time.

Section 15. PRINCIPAL STOCKHOLDERS. Each of the Maurice Marciano Trust (1995 Restatement) and Maurice Marciano (collectively, the "Maurice Marciano Parties"), the Paul Marciano Trust Under Trust Dated February 20, 1986 and Paul Marciano (collectively, the "Paul Marciano Parties") and the Armand Marciano Trust Under Trust Dated February 20, 1986 and Armand Marciano (collectively, the "Armand Marciano Parties") agrees that the representations and warranties, indemnities and agreements of the Maurice Marciano Trust (1995 Restatement), the Paul Marciano Trust under Trust Dated February 20, 1986 or the Armand Marciano Trust Under Trust Dated February 20, 1986 set forth in this Agreement shall be deemed to have been given or made (subject to any limitations specifically set forth herein), jointly and severally, by each of the Maurice Marciano Parties, the Paul Marciano Parties or the Armand Marciano Parties, respectively.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the U.S. Underwriters, the Principal Stockholders and the Company in accordance with its terms.

Very truly yours,

GUESS ?, INC.

By: _____
Name:
Title:

PRINCIPAL STOCKHOLDERS

Maurice Marciano

_____

THE MAURICE MARCIANO TRUST
(1995 RESTATEMENT)

By:_____
Maurice Marciano, as Trustee

Paul Marciano

THE PAUL MARCIANO TRUST UNDER

TRUST DATED FEBRUARY 20, 1986

_____ By:_____
Paul Marciano, as Trustee

Armand Marciano

THE ARMAND MARCIANO TRUST UNDER
TRUST DATED FEBRUARY 20, 1986

_____ By:_____
Armand Marciano, as Trustee

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
MORGAN STANLEY & CO. INCORPORATED
By: Merrill Lynch, Pierce, Fenner & Smith
Incorporated

By_____
Authorized Signatory

For each of themselves and as U.S. Representatives of the other
U.S. Underwriters named in Schedule A hereto.

SCHEDULE A

Name of U.S. Underwriter	Number of Initial U.S. Securities to be Purchased from the Company	Total Number of Initial U.S. Securities to be Purchased
Merrill Lynch, Pierce, Fenner & Smith Incorporated		
Morgan Stanley & Co. Incorporated		
Total		7,360,000

SCHEDULE B

	Number of Initial U.S. Securities to to be Sold	Number of Option U.S. Securities to be Sold	Maximum Number of U.S. Securities to be Sold
Guess ?, Inc.	7,360,000	1,104,000	8,464,000
TOTAL.			

SCHEDULE C

7,360,000 Shares

GUESS ?, INC.

(a Delaware corporation)

Common Stock

(Par Value $.01 Per Share)

1. The initial public offering price per share for the U.S. Securities, determined as provided in Section 2 of the U.S. Purchase Agreement shall be $.

2. The purchase price per share for the U.S. Securities to be paid by the several U.S. Underwriters shall be $, being an amount equal to the initial public offering price set forth above less $ per share; PROVIDED THAT the purchase price per share for any Option U.S. Securities (as defined in the U.S. Purchase Agreement) purchased upon exercise of the over-allotment option described in Section 2(b) of the U.S. Purchase Agreement shall be reduced by an amount per share equal to any dividends declared by the Company and payable on the Initial U.S. Securities (as defined in the U.S. Purchase Agreement) but not payable on the Option U.S. Securities.

EXHIBIT A

EQUITY INVESTMENTS
(as of Pricing Date)

Entity	Percentage Interest
Guess Europe, B.V.	100%
Guess Italia S.r.l.	100%
Ranche Limited	[100%]
[New Times Guess, Ltd]	50%

EXHIBIT B

EQUITY INVESTMENTS
(as of S Termination Date)

Entity	Percentage Interest

EXHIBIT C

FORM OF OPINION OF
COUNSEL TO THE COMPANY

[Form to be prepared by Company counsel to the following effect and to be attached as Exhibit C]

a. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware.

b. The Company has the corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and to enter into and perform its obligations under this Agreement.

c. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in each jurisdiction set forth on Exhibit A hereto.

d. The authorized, issued and outstanding capital stock of the Company is as set forth in the U.S. Prospectus in the column entitled "Actual" under the caption "Capitalization"; and none of the outstanding shares of capital stock of the Company was issued in violation of preemptive rights of any stockholder of the Company arising by operation of law, under the charter or bylaws of the Company or, to such counsel's knowledge, under any agreement to which the Company is a party.

e. All of the outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable. The Offered Securities have been duly authorized for issuance and sale to the U.S. Underwriters pursuant to this Agreement and, when issued and delivered by the Company pursuant to this Agreement against payment of the consideration required pursuant to this Agreement, will be validly issued and fully paid and nonassessable.

f. The issuance of the Offered Securities was not subject, at the date of issue, to statutory preemptive or other similar rights arising by operation of law, under the charter or bylaws of the Company or, to the best of their knowledge, otherwise.

g. This Agreement and the International Purchase Agreement have been duly authorized, executed and delivered by the Principal Stockholders.

h. This Agreement and the International Purchase Agreement have been duly authorized, executed and delivered by the Company.

i. The Registration Statement, including any Rule 462(b) Registration Statement, was declared effective under the 1933 Act; any required filing

of the U.S. Prospectus pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); and, to the best of their knowledge and information, no stop order suspending the effectiveness of the Registration Statement has been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission.

j. The Registration Statement, including any Rule 462(b) Registration Statement, the Rule 430A Information and the Rule 434 Information, as applicable, the Prospectuses, and each amendment or supplement to the Registration Statement and Prospectuses, as of their respective effective or issue dates (other than the financial statements, notes thereto other financial information and supporting schedules included therein, as to which no opinion need be rendered) complied as to form in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations.

[k. To the best of their knowledge, there is no pending or threatened action, suit, proceeding, inquiry or investigation to which the Company is a party, or to which the property of the Company is subject, before or brought by any court or governmental agency or body, which could, singly or in the aggregate, reasonably be expected to result in a Material Adverse Effect or which could, singly or in the aggregate, reasonably be expected to materially and adversely affect the properties or assets thereof or the consummation of this Agreement or the performance of the Company's obligations hereunder or the transactions contemplated by the Registration Statement.]

l. The Common Stock conforms to the description thereof contained in the Prospectuses under the caption "Description of Capital Stock" and the information in the Prospectuses under the captions "Shares Eligible for Future Sale" "Description of Capital Stock," "Certain United States Federal Tax Consequences to Non-United States Holders" and in the Registration Statement under Items 14 and 15, to the extent that it constitutes matters of law or legal proceedings or legal conclusions, has been reviewed by them and fairly present the information disclosed therein in all material respects.

m. Such counsel does not know of any pending or threatened legal or governmental proceedings, required to be described in the Prospectuses that are not described as required, nor of any contracts or documents of a character required to be described or referred to in the Registration Statement or the Prospectuses or to be filed as exhibits to the Registration Statement that are not described, referred to or filed as required.

n. No consent, approval, authorization or order of any court or governmental agency or body is required for the issue sale and delivery of the Offered Securities or the performance by the Company of its obligations under the Purchase Agreements, except such consents, approvals, authorizations, registrations or qualifications as have been obtained under the Securities Act or under the rules of the National Association of Securities Dealers, Inc. or as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Offered Securities by the Underwriters and as may be required under foreign law in connection with the purchase and distribution of the Offered Securities by the International Managers.

o. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein and in the Registration Statement and compliance by the Company with its obligations hereunder and thereunder will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant

to the agreements or instruments set forth on Exhibit B hereto, nor will such action result in any violation of the provisions of the charter or bylaws of the Company, or any applicable law (applicable law for this purpose shall be limited to those United States, California and Delaware statutes, laws or regulations currently in effect which, in such counsel's experience, are normally applicable to transactions of the type contemplated by this Agreement).

p. This Agreement has been duly executed and delivered by the Principal Stockholders. To the best of such counsel's knowledge, the execution and delivery of this Agreement by the Principal Stockholders and the sale and delivery of the Offered Securities to be sold by the Principal Stockholders do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Principal Stockholders under any contract, indenture, mortgage, loan, credit or factoring agreement, note, lease or other agreement or instrument set forth on Exhibit C hereto or any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Principal Stockholders or any of the Principal Stockholders' properties.

In addition, such opinion shall contain a statement substantially to the following effect:

> "We have not verified, and are not passing upon and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Registration Statement or Prospectuses, other than those mentioned in subparagraph (l) above. We have, however, generally reviewed and discussed

> such statements with certain officers of the Guess Companies, its auditors and your representatives. In the course of this review and discussion, no facts have come to our attention that lead us to believe that (i) the Registration Statement (except for the financial statements, notes thereto and other financial information and schedules included therein or omitted therefrom, as to which we have not been requested to omment), at the time the Registration Statement became effective, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) the Prospectuses (except for the financial statements, notes thereto and other financial information included therein or omitted therefrom, as to which we have not been requested to comment), at the time the Prospectuses were issued or on the date hereof, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (iii) if the Company has elected to rely upon Rule 434, the Prospectuses are "materially different," as such term is used in Rule 434, from the prospectuses included in the original Registration Statement at the time it became effective, except that such counsel may state that it expresses no opinion or belief with respect to the financial statements, schedules and other financial information included in or excluded from the Registration Statement, as amended, or the Prospectuses, as amended or supplemented."

1,840,000 Shares

GUESS ?, INC.

(a Delaware corporation)

Common Stock

(Par Value $.01 Per Share)

INTERNATIONAL PURCHASE AGREEMENT

, 1996

MERRILL LYNCH INTERNATIONAL
MORGAN STANLEY & CO. INTERNATIONAL LIMITED
as Lead Managers for the several Managers
c/o Merrill Lynch International
20 Farringdon Road
London EC1M 3NH
England

Ladies and Gentlemen:

Guess ?, Inc., a Delaware corporation (the "Company"), hereby confirms its agreement with the Maurice Marciano Trust (1995 Restatement) (the "Maurice Marciano Trust"), the Paul Marciano Trust under Trust Dated February 20, 1986 (the "Paul Marciano Trust") and the Armand Marciano Trust Under Trust Dated February 20, 1986 (the "Armand Marciano Trust," and, together with the Maurice Marciano Trust, and the Paul Marciano Trust, the "Principal Stockholders") and Merrill Lynch International ("MLI"), Morgan Stanley & Co. International Limited ("Morgan Stanley International") and each of the other underwriters named in Schedule A hereto (collectively, the "International Managers," which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom MLI and Morgan Stanley International are acting as representatives (in such capacity, MLI and Morgan Stanley International shall hereinafter be referred to as the "Lead Managers"), with respect to the sale by the Company, and the purchase by the International Managers, acting severally and not jointly, of the respective numbers of shares of Common Stock, par value $.01 per share, of the Company ("Common Stock") set forth in said

Schedule B and with respect to the grant by the Company to the International Managers, acting severally and not jointly, of the option described in Section 2(b) hereof to purchase all or any part of 276,000 additional shares of Common Stock to cover over-allotments. The aforesaid 1,840,000 shares of Common Stock (the "Initial International Securities") to be purchased by the International Managers and all or any part of the 276,000 shares of Common Stock subject to the option described in Section 2(b) hereof (the "International Option Securities") are collectively hereinafter called the "International Securities."

It is understood that the Company is concurrently entering into an agreement, dated the date hereof (the "U.S. Purchase Agreement"), providing for the issuance and sale by the Company of an aggregate of 7,360,000 shares of Common Stock (the "Initial U.S. Securities") through arrangements with certain underwriters inside the United States and Canada (the "U.S. Underwriters" which, together with the International Managers, shall be referred to as the "Underwriters"), for whom Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner &

Smith Incorporated ("Merrill Lynch") and Morgan Stanley & Co. Incorporated are acting as representatives (the "U.S. Representatives"). The Company has also granted to the U.S. Underwriters an option to purchase all or any part of 1,104,000 shares of Common Stock (the "Option Securities" which, together with the Initial U.S. Securities, shall be referred to as the "U.S. Securities") to cover over-allotments. The U.S. Securities and the International Securities are hereinafter collectively referred to as the "Offered Securities."

The Company understands that the U.S. Underwriters will simultaneously enter into an agreement with the International Managers dated the date hereof (the "Intersyndicate Agreement") providing for the coordination of certain transactions among the U.S. Underwriters and the International Managers, under the direction of Merrill Lynch, Pierce, Fenner & Smith Incorporated.

You have advised us that you and the other International Managers, acting severally and not jointly, desire to purchase the Initial International Securities and, if the International Managers, so elect, the International Option Securities, and that you have been authorized by the other International Managers to execute this Agreement on their behalf.

The initial public offering price per share for the International Securities and the purchase price per share for the International Securities shall be agreed upon by the Company and the Lead Managers, acting on behalf of the several International Managers, and such agreement shall be set forth in Schedule C hereto. The offering of the International Securities will be governed by this Agreement. The purchase price per share for the U.S. Securities to be paid by the several U.S. Underwriters shall be identical to the purchase price per share for the International Securities to be paid by the several International Managers hereunder.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (No. 333-4419), for the registration of

10,580,000 shares of Common Stock, under the Securities Act of 1933, as amended (the "1933 Act"), including the related preliminary prospectus, such amendments thereto, if any, and such amended preliminary prospectuses as may have been required to the date hereof and will file such additional amendments thereto and such amended or supplemental prospectuses as may hereafter be required. Promptly after execution and delivery of this Agreement, the Company will either (i) prepare and file a prospectus in accordance with the provisions of Rule 430A ("Rule 430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and paragraph (b) of Rule 424 ("Rule 424(b)") of the 1933 Act Regulations or (ii) if the Company has elected to rely upon Rule 434 ("Rule 434") of the 1933 Act Regulations, prepare and file a term sheet (a "Term Sheet") in accordance with the provisions of Rule 434 and Rule 424(b). Two forms of prospectus are to be used in connection with the offering and sale of the Offered Securities: one relating to the U.S. Securities (the "Form of U.S. Prospectus") and one relating to the International Securities (the "Form of International Prospectus"). The Form of International Prospectus is identical to the Form of U.S. Prospectus, except for the front cover and back cover pages and the information under the caption "Underwriting." The information included in such prospectus or in such Term Sheet, as the case may be, that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective (a) pursuant to paragraph (b) of Rule 430A is referred to as "Rule 430A Information" or (b) pursuant to paragraph (d) of Rule 434 is referred to as "Rule 434 Information." Each Form of U.S. Prospectus and Form of International Prospectus used before such registration statement became effective, and any Form of U.S. Prospectus or Form of International Prospectus that omitted, as applicable, the Rule 430A Information or the Rule 434 Information, that was used after such effectiveness and prior to the execution and delivery of this Agreement, is

herein called a "preliminary prospectus." Such registration statement, including the exhibits thereto and schedules thereto, if any, at the time it became effective and including the Rule 430A Information and the Rule 434 Information, as applicable, as from time to time amended or supplemented pursuant to the 1933 Act, is herein called the "Registration Statement." Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations is herein referred to as the "Rule 462(b) Registration Statement," and after such filing the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The Form of U.S. Prospectus and Form of International Prospectus included in the Registration Statement at the time it becomes effective are herein called the "U.S. Prospectus" and "International Prospectus," respectively, and collectively, the "Prospectuses," except that, (y) if the final U.S. Prospectus or International Prospectus first furnished to the U.S. Underwriters or the International Managers after the execution of this Agreement or the International Purchase Agreement, as the case may be, for use in connection with the offering of the Offered Securities differs from the prospectuses included in the Registration Statement at the time it becomes effective (whether or not such prospectus is required to be filed pursuant to Rule 424(b)), the terms "U.S. Prospectus," "International Prospectus" and "Prospectuses" shall refer to the final U.S. Prospectus and/or International Prospectus first furnished to the U.S. Underwriters and/or International Managers, as the case may be, for such use and (z) if Rule 434 is relied on, the terms "U.S. Prospectus,"

"International Prospectus" and "Prospectuses" shall refer to the preliminary U.S. Prospectus and/or International Prospectus last furnished to the U.S. Underwriters and/or International Managers, as the case may be, in connection with the offering of the Offered Securities together with the Term Sheet.

The Company has reserved up to 750,000 of the Initial U.S. Securities to be sold by the Company for offering and sale to certain of the Company's employees and certain other persons pursuant to a reserve share program (the "Reserve Share Program"). These Offered Securities will be sold to the employees and other persons by the U.S. Underwriters pursuant to this Agreement at the public offering price. Any such shares not purchased by such persons by the end of the first business day after either (a) the later of the date on which the Registration Statement and any Rule 462(b) Registration Statement has become effective or (b) if the Company has elected to rely on Rule 430A, the date of this Agreement, will be offered to the public by the U.S. Underwriters as set forth in the U.S. Prospectus.

The Company understands that the International Managers propose to make an offering of the Offered Securities as soon as the Lead Managers deem advisable after this Agreement has been executed and delivered.

Section 1. REPRESENTATIONS AND WARRANTIES. (a) The Company represents and warrants to each International Manager as of the date hereof and as of the Closing Time referred to in Section 2(c) hereof, as follows:

(i) COMPLIANCE WITH REGISTRATION REQUIREMENTS. The Registration Statement has become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times the Registration Statement and any post-effective amendments thereto became effective and at the Closing Time (and, if any Option Securities are purchased, up to the Date of Delivery referred to below), the Registration Statement and any amendments or supplements thereto complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and did not

contain and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and, to the Company's knowledge, the Prospectuses and preliminary prospectuses comply or will comply in all material respects with any applicable laws or regulations of foreign jurisdictions in which the Prospectuses and preliminary prospectuses, as amended or supplemented, if applicable, are distributed in connection with the Reserve Share Program. The Prospectuses, at the

date hereof (unless the term "Prospectuses" refers to prospectuses which have been provided to the U.S. Underwriters by the Company for use in connection with the offering of Offered Securities which differ from the Prospectuses on file at the Commission, in which case at the time the Prospectuses is first provided to the Underwriters for their use) and at the Closing Time, does not and will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and if Rule 434 is used, the Company will comply with the requirements of Rule 434; PROVIDED, HOWEVER, that the representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or Prospectuses made in reliance upon and in conformity with information furnished to the Company in writing by or on behalf of any Underwriter through the Representatives expressly for use in the Registration Statement or Prospectuses.

(ii) INDEPENDENT ACCOUNTANTS. KPMG Peat Marwick LLP, which are reporting upon certain audited financial statements and supporting schedules included in the Registration Statement, are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iii) FINANCIAL STATEMENTS. The financial statements included in the Registration Statement and the Prospectuses, together with the related schedules and notes present fairly the consolidated financial position of the Company, Guess Italia S.r.l. ("Guess Italia") and Guess Europe B.V. ("Guess Europe" and, together with the Company and Guess Italia, the "Guess Companies") at the dates indicated and the results of operations for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved; and the supporting schedules, if any, included in the Registration Statement present fairly the information required to be stated therein. The selected consolidated financial data and the summary financial data included in the Prospectuses present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements or, in the case of the interim periods presented, the unaudited financial statements of the Guess Companies, in each case included in the Registration Statement. The pro forma financial information of the Guess Companies included in the Prospectuses presents fairly the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial information and have been properly compiled on the bases described therein, and, in the opinion of the Company, the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein.

(iv) NO MATERIAL ADVERSE CHANGE IN BUSINESS. Since the respective dates as of which information is given in the Registration Statement and the Prospectuses,

except as otherwise stated therein or contemplated thereby, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries (as defined herein) considered as one enterprise (a "Material Adverse Change"), whether or not arising in the ordinary course of business, (B) there have been no transactions entered into by the Company, other than those in the ordinary course of business, which are required to be disclosed under the 1933 Act and the 1933 Act Regulations, and (C) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock, except for a dividend or distribution in respect of the net earnings of the Company from _____ to the Closing Time.

(v) GOOD STANDING OF THE COMPANY. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and to enter into and perform its obligations under this Agreement, and to consummate the transactions with respect to which it is a participant contemplated hereby and thereby and in the Registration Statement (including (i) the reorganization and the S corporation distribution as described in the Prospectuses under the caption "Company History, The Reorganization and Prior S Corporation Status" (collectively, the "Reorganization Transactions"); and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify could not, singly or in the aggregate, reasonably be expected to have a material adverse effect on the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise (a "Material Adverse Effect").

(vi) SUBSIDIARIES. The Company owns, and as of the date of termination of the Company's S corporation status (the "S Termination Date") will own, no equity interest in any entity other than those equity interests listed on Exhibits A and B hereto, respectively (such entities on Exhibit A are hereinafter referred to as the "Subsidiaries"). As of the date hereof and as of the S Termination Date, the Company has, or will have, good and marketable title to all equity interests listed on Exhibit A or B, respectively, free and clear of any pledge, lien, security interest, charge, claim or encumbrance of any kind.

(vii) CAPITALIZATION; AUTHORIZATION AND DESCRIPTION OF OFFERED SECURITIES. At the Closing Time the authorized, issued and outstanding capital stock of the Company will be as set forth in the Prospectuses under the "Actual" column under the caption "Capitalization"; all of the shares of issued and outstanding Common Stock have been duly authorized and validly issued and are fully paid and nonassessable and, to the

best knowledge of the Company, are owned of record and beneficially by the Principal Stockholders free and clear of any liens, claims, charges, pledges or encumbrances of any kind, except for restrictions imposed by the Restated Shareholders' Agreement dated _____, 1996 between the Company and the Principal Stockholders; none of the outstanding shares of Common Stock of the Company was issued in violation of preemptive rights of any stockholder of the Company; the Offered Securities to be sold by the Company pursuant to the Purchase Agreements have been duly authorized for issuance and sale to the Underwriters pursuant to the Purchase Agreements and, when issued and delivered by the Company pursuant to the Purchase Agreements against payment of the consideration set forth herein, will be validly issued and fully paid and nonassessable; the Common Stock conforms to all statements relating thereto contained in the Prospectuses and such

description conforms to the rights set forth in the instruments defining the same; no holder of the Offered Securities will be subject to personal liability by reason of being such a holder; and the Offered Securities are not subject to preemptive or other similar rights arising by operation of law, under the charter or bylaws of the Company, under any agreement to which the Company is a party or otherwise.

(viii) ABSENCE OF DEFAULTS AND CONFLICTS. None of the Guess Companies is (a) in violation of its charter or bylaws or (b) in breach or default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan, credit agreement, note, lease or other agreement or instrument to which any of the Guess Companies is a party or by which any of them may be bound, or to which any of their property or assets is subject (collectively, "Agreements and Instruments"), excluding in each case in this clause (b), breaches or defaults which, individually or in the aggregate, could not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect; and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein and in the Registration Statement (including (i) the Reorganization Transactions and (ii) the use of proceeds from the sale of the Offered Securities as described in the Prospectuses under the caption "Use of Proceeds") and compliance by the Company with its obligations hereunder and thereunder have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Guess Companies pursuant to any Agreements and Instruments (other than with respect to which any of the Guess Companies shall have obtained at or prior to the Closing Time such amendments, waivers or consents, as the case may be, as shall be necessary so that at the Closing Time the representation and warranty contained in this paragraph (viii) shall be accurate without regard to this parenthetical), excluding in each case, conflicts, breaches or defaults which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, nor will such action result in any viola-

tion of the provisions of the charter or bylaws of any of the Guess Companies or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over any of the Guess Companies or any of their assets or properties.

(ix) ABSENCE OF LABOR DISPUTES. No labor dispute with the employees of any of the Guess Companies exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of the Guess Companies principal suppliers, manufacturers, customers or contractors, which, in either case, may reasonably be expected to result in a Material Adverse Effect.

The Company is in compliance with all applicable federal, state, and local laws relating to the payment of wages to employees (including, without limitation, the Fair Labor Standards Act, as amended), except insofar as the failure to comply with such laws would not reasonably be expected to have a Material Adverse Effect.

(x) ABSENCE OF PROCEEDINGS. There is no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, now pending or, to the knowledge of the Company, threatened, against or affecting the Company which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which could, singly or in the aggregate, reasonably be expected to result in a Material Adverse

Effect, or could, singly or in the aggregate, reasonably be expected to materially and adversely affect the properties or assets of the Company or which could, singly or in the aggregate, reasonably be expected to materially and adversely affect the consummation of this Agreement or the performance by the Company of its obligations hereunder.

(xi) ACCURACY OF EXHIBITS. There are no contracts or documents to which the Company is a party which are required to be described in or filed as exhibits to the Registration Statement which have not been described, filed or incorporated by reference as required.

(xii) POSSESSION OF INTELLECTUAL PROPERTY. Except as disclosed in the Prospectuses, each of the Guess Companies owns or possesses, or can acquire on reasonable terms, adequate patents, patent licenses, trademarks, service marks and trade names necessary to carry on its business as presently conducted, and none of the Guess Companies have received any notice of infringement of or conflict with asserted rights of others with respect to any patents, patent licenses, trademarks, service marks or trade names that in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a Material Adverse Effect.

(xiii) ABSENCE OF FURTHER REQUIREMENTS. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority, agency or body is necessary or required for the performance by the Company of its obligations hereunder, in connection with the offering or sale of the Offered Securities hereunder or the consummation of the transactions contemplated by this Agreement, except (i) such as have already been obtained or as may be required under the 1933 Act or the 1933 Act Regulations or state securities laws and (ii) such as have been obtained, to the Company's knowledge, under the securities laws and regulations of foreign jurisdictions in which the Offered Securities are offered outside the United States in connection with the Reserve Share Program.

(xiv) POSSESSION OF LICENSES AND PERMITS. Each of the Guess Companies (A) possesses all material governmental certificates, permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") necessary to conduct the business it now operates and (B) has not received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses except, in the case of clauses (A) and (B), as could not reasonably be expected to result in a Material Adverse Effect.

(xv) TITLE TO PROPERTY. Each of the Guess Companies has sufficient title for the use made and proposed to be made of all of its properties, whether real or personal, free and clear of all liens, encumbrances and defects, except as stated in the Prospectuses or such as could not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect; and all of the leases material to the business of the Guess Companies, and under which any of the Guess Companies holds properties described in the Prospectuses, are in full force and effect, and none of the Guess Companies has notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company under any of the leases mentioned above, or affecting or questioning the rights of any of the Guess Companies to the continued possession of such leased premises under any such lease.

(xvi) AUTHORIZATION OF AGREEMENT. Each of the Purchase Agreements have been duly and validly authorized, executed and delivered by the Company.

(xvii) RELATIONS WITH CUBA. To the knowledge of the Guess Companies,

none of the Guess Companies has done, or is presently doing, business with the government of Cuba or with any person located in Cuba.

(xviii) ACCURACY OF DESCRIPTIONS. The descriptions in the Registration Statement of laws, regulations and rules, of legal and governmental proceedings and of contracts, agreements, leases and other documents including, without limitation, under the headings "Description of Capital Stock -- Delaware Law and Certain Corporate Provisions" are accurate in all material respects.

(xix) ENVIRONMENTAL LAWS. Except as could not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect or otherwise require disclosure in the Registration Statement or the Prospectuses, (i) each of the Guess Companies is in compliance with all applicable federal, state or local laws and regulations ("Environmental Laws") relating to pollution or protection of human health or the environment, or otherwise relating to the use, treatment, storage, disposal, transport or handling of toxic or hazardous substances or wastes, or petroleum products ("Materials of Environmental Concern"), including compliance with all permits, licenses, approvals or authorizations ("Permits") required under any Environmental Laws, (ii) with respect to the Company or any person or entity for whom the Company or any Subsidiary has retained or assumed (either contractually or by operation of law) liability therefor, (A) none of the Guess Companies has received any communication from any person or entity alleging violation of any Environmental Laws, and there is no pending or, to its knowledge, threatened claim, action, investigation or notice for site investigations, clean up, response costs, natural resources or property damages, personal injuries, attorney's fees, or penalties (collectively, "Environmental Claims"), and (B) there are no conditions that, to the best knowledge of any of the Guess Companies, could reasonably be expected to form the basis of any Environmental Claim against any of the Guess Companies. The Company has reviewed the Environmental Laws applicable to the Guess Companies' business, operations and properties for the purposes of determining any capital or operating expenditures required or anticipated over the current and the next fiscal year for any site investigation, clean up or remediation, compliance with Environmental Laws or any Permit, or any potential liability to third parties, and, on the basis of such review, the Company has reasonably concluded that such matters could not have a Material Adverse Effect or otherwise require disclosure in the Registration Statement or Prospectuses.

(xx) NO RELATED PARTY TRANSACTIONS. Except as disclosed in the Prospectuses, there are no (i) outstanding loans, advances or guarantees of indebtedness by any of the Guess Companies to or for the benefit, directly or indirectly, of any of the officers or directors of any of the Guess Companies or (ii) any other related party transactions required by the 1933 Act or by the 1933 Act Regulations to be disclosed in the Prospectuses.

(xxi) INTERNAL ACCOUNTING METHODOLOGY. The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xxii) TAXES. The Company has filed all material federal, state and foreign income and franchise tax returns and has paid all taxes shown as due thereon, other than taxes which are being contested in good faith and for which adequate reserves have been established in accordance with GAAP; and the Company has no knowledge of any tax deficiency which has been or might be asserted or threatened against the Company which would reasonably be expected to have a Material Adverse Effect. No material Federal, state, local or foreign transfer, sales or other taxes will be imposed on the Company as a result of the consummation of the Reorganization Transactions [other than _____].

(xxiii) Effective as of August 1, 1983, the Company validly elected S Corporation status (as defined in Section 1361 of the Internal Revenue Code of 1986, as amended (the "Code")) for federal and certain state income tax purposes and has validly continued to qualify as an S corporation in each such jurisdiction since such date and will continue to so qualify until the S Termination Date.

(xxiv) NYSE APPLICATION. The Common Stock has been approved for listing on the New York Stock Exchange (the "NYSE") under the symbol "GES," subject to notice of official issuance.

(b) Each of the Principal Stockholders represents and warrants to, and agrees with, each International Manager as of the date hereof and as of the Closing Time as follows:

(i) Prior to the Closing Time, each of the Principal Stockholders shall contribute all of the outstanding shares of MI held by such Principal Stockholders to the Company (the "Contribution"). Immediately prior to the Contribution, all of the outstanding shares of capital stock of MI had been duly authorized and validly issued and were fully paid and nonassessable. The Maurice Marciano Trust represents and warrants that immediately prior to the Contribution it owned of record and beneficially 44.8% of the outstanding shares of capital stock of MI; the Paul Marciano Trust represents and warrants that, immediately prior to the Contribution, it owned of record and beneficially 35.5% of the outstanding shares of capital stock of MI; and the Armand Marciano Trust represents and warrants that, immediately prior to the Contribution, it owned of record and beneficially 19.7% of the outstanding shares of capital stock of MI. Each Principal Stockholder represents and warrants that, immediately prior to the Contribution, it had good and marketable title to all such shares, free and clear of any pledge, lien, security interest, charge, claim or encumbrance of any kind.

(ii) Each Principal Stockholder is familiar with the Prospectuses and has (A) no reason to believe that the representations and warranties of the Company in Section 1(a) above are not accurate in all material respects, (B) no knowledge of any material fact, condition or information not disclosed in the Prospectuses that has adversely

affected or should reasonably be expected to materially and adversely affect the business of the Company and its Subsidiaries, taken as a whole, after giving effect to the Reorganization Transactions, or (C) no reason to believe that the Prospectuses contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) Any certificate signed by any officer of the Company and delivered to the Lead Managers or to counsel for the International Managers shall be deemed a representation and warranty by the Company to each International Manager, as to the matters covered thereby.

(d) The liability of the Principal Stockholders for breach of the representation and warranty set forth in clause (b)(ii) above is limited as set forth in Section 6(a) below.

Section 2. SALE AND DELIVERY TO INTERNATIONAL MANAGERS; CLOSING. (a) On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell the number of International Securities set forth in Schedule B to each International Manager, and each International Manager, severally and not jointly, agrees to purchase from the Company, at the price per share set forth in Schedule C, the number of Initial International Securities set forth in Schedule A opposite the name of such International Manager, plus any additional number of Initial International Securities which such International Manager, may become obligated to purchase pursuant to the provisions of Section 10 hereof.

(b) In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company hereby grants an option to the International Managers, severally and not jointly, to purchase up to all of the International Option Securities at the purchase price per share set forth in Schedule C. The option granted will expire 30 days after the date hereof and may be exercised, in whole or in part (but not more than once), only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Initial International Securities upon notice by the Lead Managers to the Company setting forth the number of International Option Securities as to which the several International Managers are then exercising the option and the time and date of payment and delivery for such International Option Securities. Such time and date of delivery (a "Date of Delivery") shall be determined by the Lead Managers, but shall not be later than the third (fourth, if the exercise occurs after 4:30 P.M. New York time) full business day after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined, unless otherwise agreed by the Lead Managers and the Company. If the option is exercised as to all or any portion of the International Option Securities, each of the International Managers, acting severally and not jointly, will purchase that proportion of the total number of International Option Securities then being purchased which the number of Initial U.S. Securities set forth in Schedule A opposite the name of such International Manager bears to the total number of Initial International Securities, subject in

each case to such adjustments as the Lead Managers in their discretion shall make to eliminate any purchases of fractional interests, plus any additional number of International Option Securities which such International Manager may become obligated to purchase pursuant to the provisions of Section 10 hereof.

(c) Payment of the purchase price for the Initial International Securities shall be made at the office of Skadden, Arps, Slate, Meagher & Flom, 300 South Grand Avenue, Los Angeles, California, or at such other place as shall be agreed upon by the U.S. Representatives and the Company, at 7:00 A.M. California time on the third (fourth, if the pricing occurs after 4:30 P.M. New York time) business day (unless postponed in accordance with the provisions of Section 10) after the date hereof, or such other time not later than ten business days after such date as shall be agreed upon by the Lead Managers and the Company (such time and date of payment and delivery being herein called the "Closing Time"). Payment shall be made to the Company by wire transfer of immediately available funds payable to a bank account designated by the Company against delivery to the Lead Managers for the respective accounts of the International Managers of certificates for the Initial International Securities to be purchased by them. Certificates for the Initial International Securities shall be in such denominations and registered in such names as the Lead Managers may request in writing at least two business days before the Closing Time. It is understood that each International Manager has authorized the Lead Managers, for their account, to accept delivery of, receipt for, and make payment of the purchase price for,

the Initial International Securities which it has agreed to purchase. Merrill Lynch, individually and not as representative of the International Managers, may (but shall not be obligated to) make payment of the purchase price for the Initial International Securities to be purchased by any International Manager whose funds have not been received by the Closing Time, but such payment shall not relieve such International Manager from its obligations hereunder. The certificates for the Initial International Securities will be made available for examination and packaging by the Lead Managers not later than 10:00 A.M. on the last business day prior to the Closing Time.

(d) In addition, in the event that any or all of the International Option Securities are purchased by the International Managers, payment of the purchase price for such International Option Securities shall be made at the above-mentioned offices of Skadden, Arps, Slate, Meagher & Flom, or at such other place as shall be agreed upon by the Lead Managers and the Company, on the Date of Delivery as specified in the notice from the Lead Managers to the Company. Payment shall be made to the Company by wire transfer of immediately available funds to a bank account designated by the Company, against delivery to the Lead Managers for the respective accounts of the International Managers of certificates for the International Option Securities to be purchased by them. Certificates, if any, for the International Option Securities, if any, shall be in such denominations and registered in such names as the Lead Managers may request in writing at least two business days before the Closing Time or the relevant Date of Delivery, as the case may be. It is understood that each International Manager has authorized the Lead Managers, for their accounts, to accept

delivery of, receipt for, and make payment of the purchase price for the International Option Securities, if any, which it has agreed to purchase. Merrill Lynch, individually and not as representative of the International Managers, may (but shall not be obligated to) make payment of the purchase price for the International Option Securities, if any, to be purchased by any International Managers whose funds have not been received by the relevant Date of Delivery, as the case may be, but such payment shall not relieve such International Managers from its obligations hereunder. The certificates for the International Option Securities, if any, will be made available for examination and packaging by the Lead Managers not later than 10:00 A.M. on the last business day prior to the relevant Date of Delivery. For purposes of this agreement, "business day" means a day on which the NYSE is open for business.

(e) The U.S. Underwriters agree to serve a maximum of 750,000 Initial U.S. Shares for offering and sale to directors, officers, employees, business associates and related persons of the Company, at the public offering price. Any such shares not purchased by such persons by the end of the second business day after either (a) the later of the date on which the Registration Statement and any Rule 462(b) Registration Statement has become effective or, (b) if the Company has elected to rely upon Rule 430A, the date of the U.S. Prospectus, will be offered to the public by the U.S. Underwriters as set forth in the U.S. Prospectus.

Section 3. COVENANTS OF THE COMPANY. The Company covenants with each U.S. Underwriter as follows:

(a) The Company, subject to Section 3(b), will comply with the requirements of Rule 430A and will notify the Lead Managers immediately of (i) the effectiveness of the Registration Statement and of the effectiveness of any post-effective amendment to the Registration Statement or of the filing of any amendment or supplement to the International Prospectus, (ii) the receipt of any comments from the Commission, (iii) any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the International Prospectus or for additional information, and (iv) the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any order preventing or suspending the use of any

preliminary prospectus, or the suspension of the qualification of the International Securities for offering or sale in any jurisdiction or the initiation or threatening of any proceedings for that purpose. If the Company has elected to rely on Rule 430A, the Company will promptly effect the filings necessary pursuant to Rule 424(b) and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) The Company will give the Lead Managers notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule

462(b)), any Term Sheet or any amendment, supplement or revision to either the prospectus included in the Registration Statement at the time it became effective or to the U.S. Prospectus will furnish the Lead Managers with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Lead Managers or counsel for the International Managers shall reasonably object.

(c) The Company will deliver to the Lead Managers and counsel for the International Managers signed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith) and signed copies of all consents and certificates of experts and will also deliver to the Lead Managers a conformed copy of the Registration Statement as originally filed and of each amendment or post-effective amendment or supplement or Term Sheet thereto (without exhibits) for each of the International Managers.

(d) The Company has delivered to each International Manager, without charge, as many copies of each preliminary prospectus as such International Manager reasonably requested, and the Company hereby consents to the use of such copies for the purposes permitted by the 1933 Act. The Company will furnish to each International Manager, without charge, from time to time, during the period when the International Prospectus is required to be delivered under the 1933 Act or the Securities Exchange Act of 1934, as amended (the "1934 Act"), such number of copies of the International Prospectus (as amended or supplemented) and the Term Sheet, if any, as such. Underwriter may reasonably request for the purposes contemplated by the 1933 Act, the 1933 Act Regulations, the 1934 Act or the rules and regulations of the Commission under the 1934 Act (the "1934 Act Regulations").

(e) The Company will comply with the 1933 Act and the 1933 Act Regulations and the 1934 Act and the 1934 Act Regulations so as to permit the completion of the distribution of the Offered Securities as contemplated in this Agreement and in the International Prospectus. If at any time when a prospectus is required to be delivered in connection with such distribution of the International Securities any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the International Managers or for the Company, to amend the Registration Statement or amend or supplement the International Prospectus in order that the International Prospectus will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement the International Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the International Prospectus comply

with such requirements, and the Company will furnish to the International Managers such number of copies of such amendment or supplement as the Representatives shall reasonably request.

(f) The Company will endeavor, in cooperation with the International Managers, to qualify the Offered Securities for offering and sale under the applicable securities laws of such states and other jurisdictions outside of the United States as the Lead Managers may designate; PROVIDED, HOWEVER, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise subject. In each jurisdiction in which the Offered Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the date hereof and the effective date of any Rule 462(b) Registration Statement. The Company will inform the Florida Department of Banking and Finance if, to the best of its knowledge, prior to the completion of the distribution of the Offered Securities by the International Managers, the Company commences engaging in business with the government of Cuba or with any person or affiliate located in Cuba. Such information will be provided within 90 days of the commencement thereof or after a change to any such previously reported information.

(g) The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its security holders as soon as practicable, but not later than 60 days after the close of the period covered thereby, an earnings statement (in form complying with the provisions of Rule 158 of the 1933 Act Regulations) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the "effective date" (as defined in said Rule 158) of the Registration Statement.

(h) During a period of 180 days from the date hereof, the Company will not, without Merrill Lynch's prior written consent, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any share of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Offered Securities to be sold hereunder or under the International Purchase Agreement, (B) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to (I) any existing employment agreement or (II) existing employee benefit plans of the Company referred to in

the International Prospectus or (C) any shares of Common Stock issued pursuant to any existing non-employee director stock plan or dividend reinvestment plan referred to in the International Prospectus.

(i) If the Company uses Rule 434 of the 1933 Act Regulations, it will comply with the requirements of Rule 434 of such regulations and the International Prospectus will not be "materially different," as such term is used in Rule 434 of the 1933 Act Regulations, from the International Prospectus

first given to the International Managers for their use.

(j) The Company will use its best efforts to effect the listing of the Offered Securities on the NYSE.

(k) The Company will use the net proceeds received by it from the sale of the Offered Securities in the manner specified in the International Prospectus under the caption "Use of Proceeds."

(l) The Company will file with the Commission such reports on Form SR as may be required pursuant to Rule 463 of the 1933 Act Regulations.

(m) If the Company elects to rely upon Rule 462(b), the Company shall both file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) and pay the applicable fees in accordance with Rule 111 of the 1933 Act Regulations by the time confirmations are sent or given, as specified by Rule 462(b)(2).

(n) The Company hereby agrees that it will ensure that the Offered Securities sold to persons pursuant to the Reserve Share Program will be restricted as required by the National Association of Securities Dealers, Inc. (the "NASD") or the NASD rules from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of the effectiveness of the Registration Statement. The U.S. Underwriters will notify the Company as to which persons will need to be so restricted. At the request of the U.S. Underwriters, the Company will direct the transfer agent to place a stop transfer restriction upon such securities for such period of time. Should the Company release, or seek to release, from such restrictions any Offered Securities sold pursuant to the Reserve Share Program, the Company agrees to reimburse the U.S. Underwriters for any reasonable expenses including, without limitation, legal expenses they incur directly in connection with such release.

Section 4. PAYMENT OF EXPENSES. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment thereto, including any post-effective amendments, (ii) the preparation, issuance and delivery of the certificates for the International Securities, if any, to the International Managers, including any stock transfer taxes payable upon the sale of the Offered Securities to the Underwriters and the transfer of the Offered

Securities between the U.S. Underwriters and the International Managers, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the qualification of the Offered Securities under securities laws in accordance with the provisions of Section 3(f) hereof, including reasonable filing fees and the fees and disbursements of counsel for the International Managers in connection therewith and in connection with the preparation, printing and delivery to the International Managers of copies of the Blue Sky Survey and any supplement thereto, (v) the printing and delivery to the International Managers of copies of the Registration Statement as originally filed and of each amendment thereto, of each preliminary prospectus, any Term Sheets and of the International Prospectus and any amendments or supplements thereto, (vi) the fees and expenses of the listing of the Common Stock on the NYSE, (vii) the filing fees incident to, and the reasonable fees and disbursements of counsel to the U.S. Underwriters in connection with, the review by the National Association of Securities Dealers, Inc. (the "NASD") of the terms of the sale of the Offered Securities, (viii) the copying and distribution to the International Managers of this Agreement, the agreement among U.S. Underwriters, the U.S. Purchase Agreement, the agreement among International Managers and the Intersyndicate Agreement, (ix) the fees and expenses of any transfer agent or registrar for the Common Stock, (x) the reasonable fees and disbursements of counsel to the Company and the U.S. Underwriters in connection with the Reserve Share Program, and (xi) stamp duties or similar taxes or

duties, if any, incurred by the U.S. Underwriters in connection with the Reserve Share Program.

If this Agreement is terminated by the Lead Managers in accordance with the provisions of Section 5, 9(a)(i) or 11 hereof, the Company shall reimburse the International Managers for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the International Managers.

Section 5. CONDITIONS OF INTERNATIONAL MANAGERS' OBLIGATIONS. The obligations of the several International Managers to purchase and pay for the International Securities that they have respectively agreed to purchase pursuant to this Agreement (including any International Option Securities as to which the option granted in Section 2 has been exercised and the Date of Delivery determined by you is the same as the Closing Time) are subject to the accuracy in all material respects (except that such phrase "in all material respects" shall be disregarded to the extent any such representation and warranty is qualified by "material," "material adverse change," "Material Adverse Effect" or any phrase using any such term) of the representations and warranties of the Company and the Principal Stockholders herein contained or in certificates of any officer of any of the Company or certificates by or on behalf of the Principal Stockholders delivered pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder, and to the following further conditions:

(a) The Registration Statement, including any Rule 462(b) Registration Statement, shall have become effective on the date of this Agreement. At the Closing Time, no stop order suspending the effectiveness of the Registration Statement shall have been issued under

the 1933 Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with. The price of the Offered Securities and any price-related information previously omitted from the effective Registration Statement and any Term Sheet used pursuant to Rule 434 shall have been transmitted to the Commission for filing pursuant to Rule 424(b) within the prescribed time period and, prior to the Closing Time, the Company shall have provided evidence satisfactory to the Lead Managers of such timely filing, or a post-effective amendment providing such information shall have been promptly filed and declared effective.

(b) At the Closing Time, the Lead Managers shall have received:

(i) The favorable opinion, dated as of the Closing Time, of Shearman & Sterling, special counsel for the Company, substantially in the form attached hereto as Exhibit C and in form and substance satisfactory to counsel for the Underwriters.

(ii) The favorable opinion, dated as of the Closing Time, of Skadden, Arps, Slate, Meagher & Flom, counsel for the International Managers, with respect to the matters set forth in (a), (e), (f) (solely as to preemptive rights arising by operation of law or under the charter or bylaws of the Company), (h) thru (j), inclusive, and (l) (solely as to the information in the Prospectuses under the caption "Description of Capital Stock"), of Exhibit C, except that, with respect to the matters referred to in (e), no opinion need be expressed as to whether any of the Company's outstanding shares of Common Stock, other than the Offered Securities, have been duly authorized or validly issued or are fully paid or nonassessable.

In addition, Skadden, Arps, Slate, Meagher & Flom shall state that they have participated in conferences with directors, officers and other representatives of the Company, the Representatives, the Company's independent accountants and counsel for the Underwriters at which conferences the contents of the Registration Statement and the Prospectuses

and related matters were discussed and, although they are not passing upon, and they do not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the Registration Statement or Prospectuses (except for financial statements and other financial data included therein), and they have not made any independent check or verification thereof, on the basis of the foregoing, nothing has come to their attention that would lead them to believe that the Registration Statement including the Rule 430A Information and Rule 434 Information (if applicable), (except for financial statements and schedules and other financial data included therein, as to which such counsel need make no statement), at the time it became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectuses or any amendment or supplement thereto (except for financial statements and schedules and other financial data included as to which such counsel need make no statement), at the time the Prospectuses were

issued, at the time any such amended or supplemental prospectus was issued or at the Closing Time, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) At the Closing Time there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement and the Prospectuses, any Material Adverse Change, whether or not arising in the ordinary course of business, and the Lead Managers shall have received a certificate of the chief executive officer of the Company and of the chief financial officer of the Company, dated as of the Closing Time, to the effect that (i) since the respective dates as of which information is given in the Registration Statement and the Prospectuses, there has been no such Material Adverse Change, (ii) the representations and warranties of the Company in Section 1(a) hereof are true and correct in all material respects (except that such phrase "in all material respects" shall be disregarded to the extent any such representation and warranty is qualified by "material," "material adverse change," "Material Adverse Effect" or any phrase using any such term) with the same force and effect as though expressly made at and as of the Closing Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been initiated or threatened by the Commission and (y) a certificate of the Principal Stockholders, dated as of the Closing Time, to the effect that (i) the representations and warranties of the Principal Stockholders in Section 1(b) hereof are true and correct in all material respects (except that such phrase "in all material respects" shall be disregarded to the extent any such representation and warranty is qualified by "material," "material adverse change," "Material Adverse Effect" or any phrase using any such term) with the same force and effect as though expressly made at and as of the Closing Time and (ii) the Principal Stockholders have complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time.

(d) At the time of the execution of this Agreement, the Lead Managers shall have received from KPMG Peat Marwick LLP, a letter dated such date, in form and substance satisfactory to the Lead Managers, to the effect that (i) they are independent public accountants with respect to the Company within the meaning of the 1933 Act and the 1933 Act Regulations; (ii) it is their opinion that the financial statements and supporting schedules included in the Registration Statement and covered by their opinions therein comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1933 Act Regulations; (iii) based upon the limited procedures set forth in detail in such letter, nothing has come to their attention which causes

them to believe that (A) the unaudited financial statements and supporting schedules of the Company included in the Registration Statement do not comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1933 Act Regulations or are not presented in conformity with GAAP applied on a basis substantially consistent with that of the audited

financial statements included in the Registration Statement, (B) the unaudited income statement data set forth under "Selected Financial Data" in the Prospectuses were not determined on a basis substantially consistent with that used in determining the corresponding amounts in the audited financial statements included in the Registration Statement, or (C) at a specified date not more than five days prior to the date of this Agreement, there has been any change in the capital stock of the Company or any increase in the long term debt of the Company or any decrease in current assets or total assets as compared with the amounts shown in the balance sheet included in the Registration Statement or, during the period from June 30, 1996 to a specified date not more than five days prior to the date of this Agreement, there were any decreases, as compared with the corresponding period in the preceding year, in net sales, net income, or net income per share of the Company, except in all instances for changes, increases or decreases which the Registration Statement and the Prospectuses disclose have occurred or may occur or which are otherwise immaterial to the Company and its Subsidiaries considered as one enterprise; and (iv) in addition to the audit referred to in their opinions and the limited procedures referred to in clause (iii) above, they have carried out certain specified procedures, not constituting an audit, with respect to certain amounts, percentages and financial information which are included in the Registration Statement and Prospectuses and which are specified by the Lead Managers, and have found such amounts, percentages and financial information to be in agreement with the relevant accounting, financial and other records of the Company identified in such letter. Such letter shall also include such statements regarding pro forma financial information as the U.S. Representatives shall reasonably request.

(e) At the Closing Time, the Lead Managers shall have received from KPMG Peat Marwick L.L.P., a letter, dated as of the Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (d) of this Section, except that the specified date referred to shall be a date not more than five days prior to the Closing Time and, to the further effect that they have each carried out procedures as specified in clause (iv) of subsection (d) of this Section with respect to certain amounts, percentages and financial information specified by the Lead Managers and have found such amounts, percentages and financial information to be in agreement with the records specified in such clause (iv).

(f) At the Closing Time and at the Date of Delivery, the International Securities shall have been approved for listing on the NYSE, subject only to official notice of issuance.

(g) The NASD shall not have raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(h) At the Closing Time, the Reorganization Transactions shall have been consummated substantially as described in the Prospectuses.

(i) At the Closing Time and at the Date of Delivery, if any, counsel for the International Managers shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the International Securities as herein contemplated and related proceedings, or in order to evidence the accuracy of

any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Offered Securities as herein contemplated shall be satisfactory in form and substance to the Lead Managers and counsel for the International Managers.

(j) In the event that the International Managers exercise their option provided in Section 2(b) hereof to purchase all or any portion of the International Option Securities, the representations and warranties of the Company contained herein and the statements in any certificates furnished by the Company hereunder shall be true and correct as of the Date of Delivery and, at the Date of Delivery, the Lead Managers shall have received:

(i) A certificate, dated such Date of Delivery, of the chairman and chief executive officer of the Company and of the chief financial officer of the Company, confirming that the respective certificate delivered at the Closing Time pursuant to Section 5(c) hereof remains true and correct as of such Date of Delivery.

(ii) The favorable opinion of Shearman & Sterling, counsel for the Company, in form and substance satisfactory to counsel for the International Managers, dated such Date of Delivery, relating to the International Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b)(i) hereof.

(iii) The favorable opinion of Skadden, Arps, Slate, Meagher & Flom, counsel for the International Managers, dated such Date of Delivery, relating to the International Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b)(ii) hereof.

(iv) A letter from KPMG Peat Marwick LLP, in form and substance satisfactory to the Lead Managers and dated such Date of Delivery, substantially the same in form and substance as the letters furnished to the Lead Managers pursuant to Section 5(e) hereof, except that the "specified date" in the letter furnished pursuant to this Section 5(i)(iv) shall be a date not more than five days prior to such Date of Delivery.

If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Lead Managers by notice to the Company at any time at or prior to the Closing Time, and such termination shall be without liability of any party to any other party except as provided in Section 4 hereof.

Section 6. INDEMNIFICATION. (a) The Company and each of the Principal Stockholders severally agrees as to himself or itself to indemnify and hold harmless each International Manager and each person, if any, who controls any International Manager within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus or the Prospectuses (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; PROVIDED THAT (subject to Section 6(d) below) any such settlement is effected with the written consent of the Company and such Principal Stockholder;

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by Merrill Lynch), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above; and

(iv) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of an untrue statement or alleged untrue statement of a material fact contained in the prospectus wrapper material prepared by or with the consent of the Company for distribution in foreign jurisdictions in connection with the Reserve Share Program attached to the Prospectuses or any preliminary prospectus or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, when considered in conjunction with the Prospectuses or such preliminary prospectus, not misleading;

PROVIDED, HOWEVER, that such indemnity of each Principal Stockholder shall (x) be with reference to information relating to such Principal Stockholder furnished to the Company in writing by such Principal Stockholder expressly for use in the Registration Statement, any preliminary prospectus, the Prospectuses or any amendments or supplements thereto or (y) arise out of any material breach or alleged material breach of any representation, warranty, covenant or agreement of such Principal Stockholder contained in this Agreement and PROVIDED, FURTHER, that (x) each Principal Stockholder's aggregate liability under this Section 6 and for any breach of the representations and warranties of such Principal Stockholder set forth in Section 1(b)(ii) of this Agreement (together with any liability of such Principal Stockholder under Section 6 of the U.S. Purchase Agreement or for any breach of the representations and warranties set forth in Section 1(b)(ii) of the U.S. Purchase Agreement) shall be limited to an amount equal to the aggregate amount of undistributed earnings previously allocated, represented by promissory notes previously distributed and to be subsequently paid out of the proceeds of the offerings, to such Principal Stockholder; (y) the foregoing indemnity agreement by the Company or such Principal Stockholder does not apply to any loss, liability, claim, damage or expense to the extent arising out of an untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by any International Manager through you expressly for use in the Registration Statement (or any amendment thereto, including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary international prospectus or the International Prospectus (or any amendment or supplement thereto) and (z) if the Company has complied with its obligations under Section 3(e) hereof, the foregoing indemnity agreement with respect to any preliminary International prospectus shall not inure to the benefit of any International Manager from whom the person asserting any such loss, claim, damage or liability purchased Offered Securities (or any person who controls such International Manager within the meaning of Section 15 of the 1933 Act) if a copy of the International Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of any Underwriter to such person, if such is required by law, at or prior to the written confirmation of the sale of such Offered Securities to such person and if the International

Prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability.

In making a claim for indemnification under this Section 6 (other than pursuant to clause (a)(iii) of this Section 6) or contribution under Section 7 hereof by the Company or the Principal Stockholders, the indemnified parties may proceed against either (1) both the Company and the Principal Stockholders jointly or (2) the Company only, but may not proceed solely against the Principal Stockholders. In the event that the indemnified parties are entitled to seek indemnity or contribution hereunder against any loss, liability, claim, damage or expense to which this paragraph applies then, as a precondition to any indemnified party obtaining indemnification or contribution from any of the Principal Stockholders, the indemnified parties shall first obtain a final judgment from a trial court that such indemnified parties are entitled to indemnity or contribution under this Agreement from the Company and

the Principal Stockholders with respect to such loss, liability, claim, damage or expense (the "Final Judgment") and shall seek to satisfy such Final Judgment in full from the Company by making a written demand upon the Company for such satisfaction. Only in the event such Final Judgment shall remain unsatisfied in whole or in part 45 days following the date of receipt by the Company of such demand shall any indemnified party have the right to take action to satisfy such Final Judgment by making demand directly on the Principal Stockholders (but only if and to the extent the Company has not already satisfied such Final Judgment, whether by settlement, release or otherwise). The indemnified parties may exercise this right to first seek to obtain payment from the Company and thereafter obtain payment from the Principal Stockholders without regard to the pursuit by any party of its rights to the appeal of such Final Judgment. The indemnified parties shall, however, be relieved of their obligation to first obtain a Final Judgment, to seek to obtain payment from the Company with respect to such Final Judgment or, having sought such payment, to wait such 45 days after failure by the Company to immediately satisfy any such Final Judgment if (A) the Company files a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code"), (B) an order for relief is entered against the Company in an involuntary case under the Bankruptcy Code, (C) the Company makes an assignment for the benefit of its creditors, or (D) any court orders or approves the appointment of a receiver or custodian for the Company or a substantial portion of its assets. The foregoing provisions of this paragraph are not intended to require any indemnified party to obtain a Final Judgment against the Company or the Principal Stockholders before obtaining reimbursement of expenses pursuant to clause (a)(iii) of this Section 6. However, the indemnified parties shall first seek to obtain such reimbursement in full from the Company by making a written demand upon the Company for such reimbursement. Only in the event such expenses shall remain unreimbursed in whole or in part 45 days following the date of receipt by the Company of such demand shall any indemnified party have the right to receive reimbursement of such expenses from the Principal Stockholders by making written demand directly on the Principal Stockholders (but only if and to the extent the Company has not already satisfied the demand for reimbursement, whether by settlement, release or otherwise). The indemnified parties shall, however, be relieved of their obligation to first seek to obtain such reimbursement in full from the Company or, having made written demand therefor, to wait such 45 days after failure by the Company to immediately reimburse such expenses if (I) the Company files a petition for relief under the Bankruptcy Code, (II) an order for relief is entered against the Company in an involuntary case under the Bankruptcy Code, (III) the Company makes an assignment for the benefit of its creditors, or (IV) any court orders or approves the appointment of a receiver or custodian for the Company or a substantial portion of its assets. Notwithstanding anything to the contrary contained herein, the provisions of this paragraph shall not apply to any claim for indemnity pursuant to clause (a)(ii) (if the indemnified parties are entitled to seek indemnity under such clause (a)(ii) with respect to a settlement that has been effected with the written consent of such Principal

Stockholder but not with the written consent of the Company).

(b) Each International Manager severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act and the Principal Stockholders against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or the International Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such International Manager through the Lead Managers expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the International Prospectus (or any amendment or supplement thereto).

(c) Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder or which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 6(a) above, counsel to the indemnified parties shall be selected by Merrill Lynch, and, in the case of parties indemnified pursuant to Section 6(b) above, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such actions; PROVIDED, HOWEVER, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45

days after receipt by such indemnifying party of the aforesaid request (provided that in the case of a request to the Principal Stockholders, the requirement to wait 45 days after making a demand for reimbursement for expenses from the Company shall have been satisfied or is not applicable pursuant to the terms of Section 6(a)), (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior

to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(e) The provisions of this Section 6 and Section 7 hereof shall not affect any agreement among the Company and any Principal Stockholder with respect to indemnification and contribution.

(f) In connection with the Reserve Share Program, the Company agrees to indemnify and hold harmless the International Managers from and against any and all losses, expenses and liabilities incurred by them as a result of (i) the failure of the designated employees or other persons to pay for and accept delivery of shares which, immediately following the effectiveness of the Registration Statement, were subject to a properly confirmed agreement to purchase and (ii) the violation of any securities laws of foreign jurisdictions where Offered Securities are offered pursuant to the Reserve Share Program.

Section 7. CONTRIBUTION. If the indemnification provided for in Section 6 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Principal Stockholders, on the one hand, and the International Managers, on the other hand, from the offering of the Offered Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Principal Stockholders, on the one hand, and the International Managers, on the other hand, in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company and the Principal Stockholders, on the one hand, and the International Managers, on the other hand, in connection with the offering of the Offered Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Offered Securities pursuant to this Agreement (before deducting expenses) received by the Company (including any proceeds transferred to the Principal Stockholders directly or indirectly) and the total underwriting discount received by the International Managers, in each case as set forth on the cover of the International Prospectus, or, if Rule 434 is used, the corresponding

location on the Term Sheet, bear to the aggregate initial public offering price of the Offered Securities as set forth on such cover.

The relative fault of the Company and the Principal Stockholders, on the one hand, and the International Managers, on the other hand, shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Principal Stockholders or by the International Managers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Principal Stockholders and the International Managers agree that it would not be just and equitable if contribution pursuant to this Section were determined by pro rata allocation (even if the International Managers were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in

this Section shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or allegedly untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, no International Manager shall be required to contribute any amount in excess of the amount by which the total price at which the International Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such International Manager has otherwise been required to pay by reason of such untrue or allegedly untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, the aggregate liability of each Principal Stockholder under this Section 7 and for any breach of the representation and warranty of such Principal Stockholder set forth in Section 1(b)(ii) of this Agreement (together with any liability of such Principal Stockholder under Section 7 of the U.S. Purchase Agreement or for any breach of the representation and warranty set forth in Section 1(b)(ii) of the U.S. Purchase Agreement) shall be limited to an amount equal to the aggregate amount of undistributed earnings previously allocated, represented by promissory notes previously distributed and to be subsequently paid out of the proceeds of the offerings, to such Principal Stockholder.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section, each person, if

any, who controls an International Manager within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as such International Manager, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as the Company.

For purposes of this Section, each person, if any, who controls an International Manager within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such International Manager, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The International Managers' respective obligations to contribute pursuant to this Section are several in proportion to the number of Initial International Securities set forth opposite their respective names in Schedule A hereto and not joint.

Section 8. REPRESENTATIONS, WARRANTIES, AGREEMENTS AND INDEMNITIES TO SURVIVE DELIVERY. All representations, warranties, agreements and indemnities contained in this Agreement, or contained in certificates of officers of the Company or the Principal Stockholders submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any International Manager or controlling person, or by or on behalf of the Company or the Principal Stockholders, and shall survive delivery of the International Securities to the International Manager.

Section 9. TERMINATION OF AGREEMENT. (a) The Lead Managers may terminate this Agreement, by notice to the Company, at any time at or prior to the Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the International Prospectus, any Material Adverse Change, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material

adverse change in the financial markets in the United States or elsewhere or any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Lead Managers, impracticable to market the International Securities or to enforce contracts for the sale of the International Securities, or (iii) if trading in the Common Stock has been suspended or limited by the Commission or the NYSE, or if trading generally on the NYSE or in the over-the-counter market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by such exchange or systems or by order of the Commission, the NASD or any other governmental authority, or (iv) if a banking moratorium has been declared by either federal, New York or California authorities.

(b) If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6 and 7 shall survive such termination and remain in full force and effect.

Section 10. DEFAULT BY ONE OR MORE OF THE INTERNATIONAL MANAGERS. If one or more of the U.S. Underwriters shall fail at the Closing Time to purchase the Initial International Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the U.S. Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting International Managers, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Lead Managers shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the Offered Securities, each of the non-defaulting International Managers shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting International Managers, or

(b) if the number of Defaulted Securities exceeds 10% of the Offered Securities, this Agreement shall terminate without liability on the part of any non-defaulting International Manager.

No action taken pursuant to this Section shall relieve any defaulting International Manager from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement, either the Lead Managers or the Company shall have the right to postpone the Closing Time for a period not exceeding seven days in order to effect any required changes in the Registration Statement or International Prospectus or in any other documents or arrangements.

Section 11. DEFAULT BY THE COMPANY. If the Company shall fail at the Closing Time or at the Date of Delivery to sell and deliver the number of International Securities which it is obligated to sell hereunder, then the International Managers may, at their option, by notice from the Lead Managers to the Company terminate this Agreement without any liability on the part of any non-defaulting party except as provided in Section 4.

Section 12. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the International Managers shall be directed to the Lead Managers, c/o Merrill Lynch & International at 20 Farringdon Road, London

EC1M 3NH, Attention: Marco Martins; notices to the Company or any Principal Stockholder shall be directed to the Company or such Principal Stockholder, as the case may be, at Guess ?, Inc., 1444 South Alameda Street, Los Angeles, California 90021, Attention: Maurice Marciano.

Section 13. PARTIES. This Agreement shall inure to the benefit of and be binding upon the U.S. Underwriters, the Principal Stockholders and the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the International Managers, the Principal Stockholders and the Company and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the International Managers, the Principal Stockholders and the Company and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of International Securities from any International Manager shall be deemed to be a successor by reason merely of such purchase.

Section 14. GOVERNING LAW AND TIME. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SAID STATE. Except as otherwise set forth herein, specified times of the day refer to New York City time.

Section 15. PRINCIPAL STOCKHOLDERS. Each of the Maurice Marciano Trust (1995 Restatement) and Maurice Marciano (collectively, the "Maurice Marciano Parties"), the Paul Marciano Trust Under Trust Dated February 20, 1986 and Paul Marciano (collectively, the "Paul Marciano Parties") and the Armand Marciano Trust Under Trust Dated February 20, 1986 and Armand Marciano (collectively, the "Armand Marciano Parties") agrees that the representations and warranties, indemnities and agreements of the Maurice Marciano Trust (1995 Restatement), the Paul Marciano Trust under Trust Dated February 20, 1986 or the Armand Marciano Trust Under Trust Dated February 20, 1986 set forth in this Agreement shall be deemed to have been given or made (subject to any limitations specifically set forth herein), jointly and severally, by each of the Maurice Marciano Parties, the Paul Marciano Parties or the Armand Marciano Parties, respectively.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the International Managers, the Principal Stockholders and the Company in accordance with its terms.

Very truly yours,

GUESS ?, INC.

By: _____
Name:
Title:

PRINCIPAL STOCKHOLDERS

Maurice Marciano

THE MAURICE MARCIANO TRUST
(1995 RESTATEMENT)

_____ By:_____
Maurice Marciano, as Trustee

Paul Marciano

THE PAUL MARCIANO TRUST UNDER
TRUST DATED FEBRUARY 20, 1986

_____ By:_____
Paul Marciano, as Trustee

Armand Marciano

THE ARMAND MARCIANO TRUST UNDER
TRUST DATED FEBRUARY 20, 1986

_____ By:_____
Armand Marciano, as Trustee

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH, INTERNATIONAL
MORGAN STANLEY & CO. INTERNATIONAL LIMITED
By: Merrill Lynch International

By_____
Authorized Signatory

For each of themselves and as Lead Managers of the other
International Managers named in Schedule A hereto.

SCHEDULE A

Name of International Manager	Number of Initial International Securities to be Purchased from the Company	Total Number of Initial International Securities to be Purchased
Merrill Lynch International		
Morgan Stanley & Co. International Limited		

Total	1,840,000

Sch A-1

SCHEDULE B

	Number of Initial International Securities to be Sold	Number of Option U.S. Securities to be Sold	Maximum Number of U.S. Securities to be Sold
Guess ?, Inc.	1,840,000	276,000	2,116,000
TOTAL			

Sch B-1

SCHEDULE C

1,840,000 Shares

GUESS ?, INC.

(a Delaware corporation)

Common Stock

(Par Value $.01 Per Share)

1. The initial public offering price per share for the International Securities, determined as provided in Section 2 of the International Purchase Agreement shall be $.

2. The purchase price per share for the International Securities to be paid by the several International Managers shall be $, being an amount equal to the initial public offering price set forth above less $ per share; PROVIDED THAT the purchase price per share for any International Option Securities (as defined in the International Purchase Agreement) purchased upon exercise of the over-allotment option described in Section 2(b) of the International Purchase Agreement shall be reduced by an amount per share equal to any dividends declared by the Company and payable on the Initial U.S. Securities (as defined in the International Purchase Agreement) but not payable on the International Option Securities.

EXHIBIT A

EQUITY INVESTMENTS
(as of Pricing Date)

Entity	Percentage Interest
Guess Europe, B.V.	100%
Guess Italia S.r.l.	100%
Ranche Limited	[100%]
[New Times Guess, Ltd]	50%

EXHIBIT B

EQUITY INVESTMENTS
(as of S Termination Date)

Entity	Percentage Interest

EXHIBIT C

FORM OF OPINION OF
COUNSEL TO THE COMPANY

[Form to be prepared by Company counsel to the following effect and to be attached as Exhibit C]

a. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware.

b. The Company has the corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and to enter into and perform its obligations under this Agreement.

c. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in each jurisdiction set forth on Exhibit A hereto.

d. The authorized, issued and outstanding capital stock of the Company is as set forth in the International Prospectus in the column entitled "Actual" under the caption "Capitalization"; and none of the outstanding shares of capital stock of the Company was issued in violation of preemptive rights of any stockholder of the Company arising by operation of law, under the charter or bylaws of the Company or, to such counsel's knowledge, under any agreement to which the Company is a party.

e. All of the outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable. The Offered Securities have been duly authorized for issuance and sale to the International Managers pursuant to this Agreement and, when issued and delivered by the Company pursuant to this Agreement against payment of the consideration required pursuant to this Agreement, will be validly issued and fully paid and nonassessable.

f. The issuance of the Offered Securities was not subject, at the date of issue, to statutory preemptive or other similar rights arising by operation of law, under the charter or bylaws of the Company or, to the best of their knowledge, otherwise.

g. This Agreement and the U.S. Purchase Agreement have been duly authorized, executed and delivered by the Principal Stockholders.

h. This Agreement and the U.S. Purchase Agreement have been duly authorized, executed and delivered by the Company.

i. The Registration Statement, including any Rule 462(b) Registration Statement, was declared effective under the 1933 Act; any required filing of the International Prospectus pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); and, to the best of their knowledge and information, no stop order suspending the effectiveness of the Registration Statement has been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission.

j. The Registration Statement, including any Rule 462(b) Registration Statement, the Rule 430A Information and the Rule 434 Information, as applicable, the Prospectuses, and each amendment or supplement to the Registration Statement and Prospectuses, as of their respective effective or issue dates (other than the financial statements, notes thereto other financial information and supporting schedules included therein, as to which no opinion need be rendered) complied as to form in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations.

[k. To the best of their knowledge, there is no pending or threatened action, suit, proceeding, inquiry or investigation to which the Company is a party, or to which the property of the Company is subject, before or brought by any court or governmental agency or body, which could, singly or in the aggregate, reasonably be expected to result in a Material Adverse Effect or which could, singly or in the aggregate, reasonably be expected to materially and adversely affect the properties or assets thereof or the consummation of this Agreement or the performance of the Company's obligations hereunder or the transactions contemplated by the Registration Statement.]

l. The Common Stock conforms to the description thereof contained in the Prospectuses under the caption "Description of Capital Stock" and the information in the Prospectuses under the captions "Shares Eligible for Future Sale" "Description of Capital Stock," "Certain United States Federal Tax Consequences to Non-United States Holders" and in the Registration Statement under Items 14 and 15, to the extent that it constitutes matters of law or legal proceedings or legal conclusions, has been reviewed by them and fairly present the information disclosed therein in all material respects.

m. Such counsel does not know of any pending or threatened legal or governmental proceedings, required to be described in the Prospectuses that are not described as required, nor of any contracts or documents of a character required to be described or referred to in the Registration Statement or the Prospectuses or to be filed as exhibits to the Registration Statement that are not described, referred to or filed as required.

n. No consent, approval, authorization or order of any court or governmental agency or body is required for the issue sale and delivery of the Offered Securities or the performance by the Company of its obligations under the Purchase Agreements, except such consents, approvals, authorizations, registrations or qualifications as have been obtained under the Securities Act or under the rules of the National Association of

Securities Dealers, Inc. or as may be required under state securities or

Blue Sky laws in connection with the purchase and distribution of the Offered Securities by the Underwriters and as may be required under foreign law in connection with the purchase and distribution of the Offered Securities by the International Managers.

o. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein and in the Registration Statement and compliance by the Company with its obligations hereunder and thereunder will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to the agreements or instruments set forth on Exhibit B hereto, nor will such action result in any violation of the provisions of the charter or bylaws of the Company, or any applicable law (applicable law for this purpose shall be limited to those United States, California and Delaware statutes, laws or regulations currently in effect which, in such counsel's experience, are normally applicable to transactions of the type contemplated by this Agreement).

p. This Agreement has been duly executed and delivered by the Principal Stockholders. To the best of such counsel's knowledge, the execution and delivery of this Agreement by the Principal Stockholders and the sale and delivery of the Offered Securities to be sold by the Principal Stockholders do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Principal Stockholders under any contract, indenture, mortgage, loan, credit or factoring agreement, note, lease or other agreement or instrument set forth on Exhibit C hereto or any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Principal Stockholders or any of the Principal Stockholders' properties.

In addition, such opinion shall contain a statement substantially to the following effect:

> "We have not verified, and are not passing upon and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Registration Statement or Prospectuses, other than those mentioned in subparagraph (l) above. We have, however, generally reviewed and discussed such statements with certain officers of the Guess Companies, its auditors and your representatives. In the course of this review and discussion, no facts have come to our attention that lead us to believe that (i) the Registration Statement (except for the financial statements, notes thereto and other financial information and schedules included therein or omitted therefrom, as to which we have not been requested to comment), at the time the Registration Statement became effective, contained any untrue statement of a material fact or

> omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) the Prospectuses (except for the financial statements, notes thereto and other financial information included therein or omitted therefrom, as to which we have not been requested to comment), at the time the Prospectuses were issued or on the date hereof, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (iii) if the Company has elected to rely upon Rule 434, the Prospectuses are "materially different," as such term is used in Rule 434, from the prospectuses included in the original Registration Statement at the time it became effective, except that such counsel may state that it

expresses no opinion or belief with respect to the financial statements, schedules and other financial information included in or excluded from the Registration Statement, as amended, or the Prospectuses, as amended or supplemented."

EXHIBIT 3.1

RESTATED

CERTIFICATE OF INCORPORATION

OF

GUESS ?, INC.

Guess ?, Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is Guess ?, Inc. Guess ?, Inc. was originally incorporated under the name Alameda Holdings, Inc., and the original Certificate of Incorporation of the corporation was filed with the Secretary of State of the State of Delaware on August 3, 1993. A Restated Certificate of Incorporation of the corporation was filed on November 12, 1993.

2. This Restated Certificate of Incorporation restates and integrates and further amends the provisions of the Certificate of Incorporation of this corporation and was duly adopted by the written consent of the stockholders of the Corporation in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware.

3. The text of the Restated Certificate of Incorporation as heretofore amended or supplemented is hereby restated and further amended to read in its entirety as follows:

"ARTICLE I

NAME

SECTION 1.1. NAME. The name of the Corporation is Guess ?, Inc. (hereinafter, the "CORPORATION").

ARTICLE II

REGISTERED OFFICE AND REGISTERED AGENT; LOCATION OF MEETINGS AND CORPORATE BOOKS AND RECORDS

SECTION 2.1. OFFICE AND AGENT. The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington,

County of New Castle. The name of its registered agent at that address is The Corporation Trust Company.

SECTION 2.2. MEETINGS; BOOKS AND RECORDS. Meetings of stockholders may be held outside of the State of Delaware. The books of the Corporation may be kept outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE III

CORPORATE PURPOSES AND EXISTENCE

SECTION 3.1. CORPORATE PURPOSES AND EXISTENCE. The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware as set forth in Title 8 of the Delaware Code. The Corporation is to have perpetual existence.

ARTICLE IV

CAPITALIZATION

SECTION 4.1. AUTHORIZED CAPITAL. The total number of shares of capital stock that the Corporation shall have the authority to issue is:

(a) 150,000,000 shares of common stock, par value $.01 per share (the "COMMON STOCK"); and

(b) 10,000,000 shares of preferred stock, par value $.01 per share (the "PREFERRED STOCK").

SECTION 4.2. STOCK SPLIT. Each share of common stock, par value $.01 per share, of the Corporation issued and outstanding, or retained in treasury, as of the opening of business on the day on which this Restated Certificate of Incorporation is filed with the Secretary of State of the State of Delaware, shall be converted into 32.664669 shares of Common Stock without further action by the Corporation or any stockholder thereof. No fractional shares shall be issued upon such conversion and if any stockholder of the Corporation shall be entitled to less than one full share of Common Stock, such stockholder shall be paid cash in lieu of such fractional share equal to the fair value of such fractional share at the time of such conversion.

SECTION 4.3. ISSUANCE. The shares of stock of the Corporation may be issued by the Corporation from time to time for such consideration as from time to time may

be fixed by the Board of Directors of the Corporation; and all issued shares of the Corporation shall be deemed fully paid and non-assessable.

SECTION 4.4. COMMON STOCK. (a) IDENTICAL RIGHTS AND PRIVILEGES; NO PREEMPTIVE RIGHTS. All outstanding shares of Common Stock shall be identical and shall entitle the holders thereof to the same rights and privileges. The holders of shares of Common Stock shall have no preemptive or preferential rights of subscription to any shares of any class of capital stock of the Corporation.

(b) DIVIDENDS AND DISTRIBUTIONS. When, as and if dividends or distributions are declared on outstanding shares of Common Stock, whether payable in cash, in property or in securities of the Corporation, the holders of outstanding shares of Common Stock shall be entitled to share equally, share for share, in such dividends and distributions.

(c) LIQUIDATION. Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of outstanding shares of Common Stock shall be entitled to share equally, share for share, in the assets of the Corporation to be distributed among the holders of shares of the Common Stock.

(d) VOTING RIGHTS. (i) IN GENERAL. The holders of outstanding shares of Common Stock shall have the right to vote on the election and removal of the directors of the Corporation and on all other matters to be voted on by the shareholders of the Corporation.

(ii) PROCEDURES AT MEETINGS. At every meeting with respect to matters on which the holders of outstanding shares of Common Stock are entitled to vote, the holders of outstanding shares of Common Stock shall be entitled to one vote per share.

SECTION 4.5. PREFERRED STOCK. Shares of the preferred stock of the Corporation may be issued from time to time in one or more classes or series, each of which class or series shall have such distinctive designation or title as shall be fixed by the Board of Directors of the Corporation prior to the issuance of any shares thereof. Each such class or series of preferred stock shall have such voting powers, full or limited, or no voting powers, and such other relative, participating, optional or other rights, preferences, privileges and restrictions, including the voting rights, redemption provisions (including sinking fund provisions), dividend rights, dividend rates, liquidation preferences and conversion rights, and such qualifications, limitations or restrictions thereof, as shall be stated in such resolution or resolutions providing for the issuance of such class or series of preferred stock as may be adopted from time to time by the Board of Directors prior to the issuance of any shares thereof pursuant to the authority hereby expressly vested in it, all in accordance with the laws of the State of Delaware. Any action by the Board of Directors under this Section 4.5 shall require the affirmative vote of a majority of the members of the Board of Directors then in office.

ARTICLE V

INDEMNIFICATION

SECTION 5.1. INDEMNIFICATION. (a) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of NOLO CONTENDERE or its equivalent, shall not, of itself, create a presumption that the person seeking indemnification did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that

the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of this Section 5.1, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under subsections (a) and (b) of this Section 5.1 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in such subsections (a) and (b). Such determination shall be made (i) by a majority vote of directors who are not parties to such action, suit or proceeding even though less than a quorum, or (ii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iii) by the stockholders of the Corporation.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation authorized in this Article V. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors of the Corporation deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this Article V shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any law, by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office.

(g) The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of Section 145 of the General Corporation Law.

(h) For purposes of this Article V, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand

in the same position under the provisions of this Article V with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(i) For purposes of this Article V, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves service by, such director, officer, employee or agent with respect to any employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article V.

(j) The indemnification and advancement of expenses provided by, or granted pursuant to, this Article V shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(k) No amendment or repeal of this Article V shall apply to or have any effect upon any right to indemnification provided hereunder with respect to acts or omissions occurring prior to such amendment or repeal.

ARTICLE VI

INTERESTED TRANSACTIONS

SECTION 6.1. INTERESTED TRANSACTIONS. No contract or other transaction between the Corporation and any person, firm, association or corporation and no act of the Corporation shall, in the absence of fraud, be invalidated or in any way affected by the fact that any of the Directors of the Corporation are pecuniarily or otherwise interested, directly or indirectly, in such contract, transaction or act, or are related to or interested in, as a director, stockholder, officer, employee, member or otherwise, such person, firm, association or corporation. Any Director so interested or related who is present at any meeting of the Board of Directors or committee or directors at which action on any such contract, transaction or act is taken may be counted in determining the presence of a quorum at such meeting and may vote thereat with respect to such contract, transaction or act with like force and effect as if he was not so interested or related. No Director so interested or related shall, because of such interest or relationship, be disqualified from holding his office or be liable to the Corporation or any stockholder or creditor thereof for any loss incurred by the Corporation under or by reason of such contract, transaction or act, or be accountable for any gains or profits he may have realized therein.

ARTICLE VII

LIABILITY OF A DIRECTOR

SECTION 7.1. LIABILITY OF A DIRECTOR. (a) A director of the

Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware or (iv) for any transaction from which the director derived any improper personal benefit.

(b) Any repeal or modification of this Article VII shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE VIII

MANAGEMENT OF THE AFFAIRS OF THE CORPORATION

SECTION 8.1. MANAGEMENT OF THE AFFAIRS OF THE CORPORATION. (a) The business and affairs of the Corporation shall be managed by its Board of Directors, which may exercise all the powers of the Corporation and do all such lawful acts and things that are not conferred upon or reserved to the stockholders by law, by this Restated Certificate of Incorporation or by the Bylaws of the Corporation (the "BYLAWS").

(b) The following provisions are inserted for the limitation and regulation of the powers of the Corporation and of its directors and stockholders:

(i) The Board of Directors shall have the power to make, alter, amend, change or repeal the Bylaws by the affirmative vote of a majority of the members of the Board of Directors then in office. In addition, the Bylaws may be made, altered, amended, changed or repealed by the stockholders of the Corporation upon the affirmative vote of the holders of at least 66-2/3% of the outstanding capital stock entitled to vote thereon.

(ii) The number of directors of the Corporation shall be as from time to time fixed by, or in the manner provided in, the Bylaws of the Corporation. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. The term of the initial Class I directors shall terminate on the date of the 1997 annual meeting of stockholders; the term of the initial Class II directors shall terminate on the date of the 1998 annual

meeting of stockholders; and the term of the initial Class III directors shall terminate on the date of the 1999 annual meeting of stockholders. At each annual meeting of stockholders beginning in 1997, successors to the class of directors whose term expires at that annual meeting shall be elected for a three year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

The term of a director elected to fill a newly created directorship or other vacancy shall expire at the same time as the terms of the other directors of the class for which the new directorship is created or in which the vacancy occurred. Any vacancy on the Board of Directors that

results from an increase in the number of directors and any other vacancy occurring on the Board of Directors, howsoever resulting, may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. Any director so elected by the Board of Directors to fill a vacancy shall hold office for a term that shall coincide with the term of the class to which such director shall have been elected.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of preferred stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Restated Certificate of Incorporation or the resolution or resolutions adopted by the Board of Directors pursuant to Section 4.5 applicable thereto, and such directors so elected shall not be divided into classes pursuant to this clause (b) of Article VIII unless expressly provided by such terms.

(iii) Subject to the rights, if any, of the holders of shares of preferred stock then outstanding, any or all of the directors of the Corporation may be removed from office at any time by the stockholders of the Corporation, but only for cause and only by the affirmative vote of the holders of a majority of the outstanding shares of the Corporation then entitled to vote generally in the election of directors, considered for purposes of this paragraph as one class.

(iv) Any action required or permitted to be taken at any annual or special meeting of stockholders may be taken only upon the vote of the stockholders at an annual or special meeting duly noticed and called, as provided herein and in the Bylaws of the Corporation, and may not be taken by a written consent of the stockholders pursuant to the General Corporation Law of the State of Delaware.

(v) Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by the Chairman of the Board of Directors, the Chief Executive Officer or the President of the Corporation. Special meetings of the stockholders of the Corporation may not be called by any other person or persons.

(vi) The Board of Directors shall have the exclusive authority and power to determine whether and to what extent, and at what times and places, and under what conditions and regulations, the accounts and books of the Corporation, or any of them, shall be open to inspection of stockholders; and no stockholder shall have any right to inspect any account, book or document of the Corporation except as conferred by applicable law or authorized by the Bylaws or by the Board of Directors.

The Corporation may in its Bylaws confer powers upon the Board of Directors in addition to the foregoing and in addition to the powers and authorities expressly conferred upon the Board of Directors by applicable law.

ARTICLE IX

AMENDMENTS

SECTION 9.1. AMENDMENTS. Notwithstanding anything contained in this Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 66-2/3% of the outstanding shares of Common Stock shall be required to amend or repeal, or adopt any provision inconsistent with, clause

(b) of Article VIII or this Article IX of this Restated Certificate of Incorporation.

ARTICLE X

PRIVATE PROPERTY

SECTION 10.1. PRIVATE PROPERTY. The private property of the stockholders of the Corporation shall not be subject to the payment of corporate debts to any extent whatsoever."

This Restated Certificate of Incorporation shall be effective upon its filing with the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation has been signed under the seal of the Corporation this _____ day of July, 1996.

GUESS ?, INC.

By:

Name: Maurice Marciano
Title: Chairman and Chief Executive Officer

ATTEST:

By:

Name: Armand Marciano
Title: Secretary

EXHIBIT 3.2

Adopted July __, 1996

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BYLAWS

OF

GUESS ?, INC.

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Adopted July __, 1996

BYLAWS

OF

GUESS ?, INC.

ARTICLE I

OFFICES

SECTION 1.01. REGISTERED OFFICE. The registered office of Guess ?, Inc. (the "CORPORATION") in the State of Delaware shall be at the principal office of The Corporation Trust Company in the City of Wilmington, County of New Castle, and the registered agent in charge thereof shall be The Corporation Trust Company.

SECTION 1.02. OTHER OFFICES. The Corporation may also have an office or offices at any other place or places within or without the State of Delaware as the Board of Directors of the Corporation (the "BOARD") may from time to time determine or the business of the Corporation may from time to time require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 2.01. ANNUAL MEETINGS. The annual meeting of stockholders of the Corporation for the election of directors of the Corporation ("DIRECTORS"), and for the transaction of such other business as may properly come before such meeting, shall be held at such place, date and time as shall be fixed by the Board and designated in the notice or waiver of notice of such annual meeting.

SECTION 2.02. SPECIAL MEETINGS. Special meetings of stockholders for any purpose or purposes may be called by the Chairman of the Board (the "CHAIRMAN"), the Chief Executive Officer of the Corporation (the "CHIEF EXECUTIVE OFFICER") or the President of the Corporation (the "PRESIDENT"), to be held at such place, date and time as shall be designated in the notice or waiver of notice thereof.

Only such business as is stated in the written notice of a special meeting may be acted upon thereat.

SECTION 2.03. NOTICE OF MEETINGS. (a) Except as otherwise provided by law, written notice of each annual or special meeting of stockholders stating the place, date and time of such meeting and, in the case of a special meeting, the purpose or purposes for which such meeting is to be held, shall be given personally or by first-class mail (airmail in the case of international communications) to each stockholder entitled to vote thereat, not less than 10 nor more than 60 days before the date of such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. If, prior to the time of mailing, the Secretary shall have received from any stockholder a written request that notices intended for such stockholder are to be mailed to some address other than the address that appears on the records of the Corporation, notices intended for such stockholder shall be mailed to the address designated in such request.

(b) Notice of a special meeting of stockholders may be given by the person or persons calling the meeting, or, upon the written request of such person or persons, such notice shall be given by the Secretary of the Corporation (the "SECRETARY") or any Assistant Secretary on behalf of such person or persons. If the person or persons calling a special meeting of stockholders give notice thereof, such person or persons shall deliver a copy of such notice to the Secretary. Each request to the Secretary for the giving of notice of a special meeting of stockholders shall state the purpose or purposes of such meeting.

SECTION 2.04. WAIVER OF NOTICE. Notice of any annual or special meeting of stockholders need not be given to any stockholder who files a written waiver of notice with the Secretary, signed by the person entitled to notice, whether before or after such meeting. Neither the business to be transacted at, nor the purpose of, any meeting of stockholders need be specified in any written waiver of notice thereof. Attendance of a stockholder at a meeting, in person or by proxy, shall constitute a waiver of notice of such meeting, except when such stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the grounds that the notice of such meeting was inadequate or improperly given.

SECTION 2.05. ADJOURNMENTS. Whenever a meeting of stockholders, annual or special, is adjourned to another date, time or place, notice need not be given of the adjourned meeting if the date, time and place thereof are announced at the meeting at which the adjournment is taken. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote thereat. At the adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

When any meeting is convened the presiding officer, if directed by the Board, may adjourn the meeting if (a) no quorum is present for the transaction of business, or (b) the Board determines that adjournment is necessary or appropriate to enable the stockholders

(i) to consider fully information which the Board determines has not been made sufficiently or timely available to stockholders or (ii) otherwise to exercise effectively their voting rights.

SECTION 2.06. QUORUM. Except as otherwise provided by law or the Certificate of Incorporation of the Corporation as in effect from time to time (the "CERTIFICATE OF INCORPORATION"), whenever a class of stock of the Corporation is entitled to vote as a separate class, or whenever classes of

stock of the Corporation are entitled to vote together as a single class, on any matter brought before any meeting of stockholders, whether annual or special, holders of shares entitled to cast a majority of the votes entitled to be cast by all the holders of the shares of stock of such class voting as a separate class, or classes voting together as a single class, as the case may be, outstanding and entitled to vote thereat, present in person or by proxy, shall constitute a quorum at any such meeting of stockholders. If, however, such quorum shall not be present in person or by proxy at any meeting of stockholders, the stockholders entitled to vote thereat may adjourn the meeting from time to time in accordance with Section 2.05 hereof until a quorum shall be present in person or by proxy.

SECTION 2.07. VOTING. Except as otherwise provided by law or the Certificate of Incorporation or these Bylaws, when a quorum is present with respect to any matter brought before any meeting of the stockholders, the vote of the holders of shares entitled to cast a majority of the votes entitled to be cast by all the holders of the shares constituting such quorum shall decide any such matter. Unless otherwise provided in the Certificate of Incorporation, each stockholder present in person or by proxy at a meeting of the stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder.

SECTION 2.08. PROXIES. Each stockholder entitled to vote at a meeting of stockholders or to express, in writing, consent to or dissent from any corporate action without a meeting may authorize another person or persons to act for such stockholder by proxy. Such proxy shall be filed with the Secretary before such meeting of stockholders or such corporate action without a meeting, at such time as the Board may require. No proxy shall be voted or acted upon more than three years from its date, unless the proxy provides for a longer period.

SECTION 2.09. ADVANCE NOTICE OF BUSINESS TO BE TRANSACTED AT STOCKHOLDER MEETINGS. No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.09 and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 2.09.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; PROVIDED, HOWEVER, that (i) in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, or (ii) in the case of the annual meeting of stockholders held during the 1997 fiscal year of the Corporation, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary

must set forth as to each matter such stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and record address of such stockholder, (c) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (d) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (e) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 2.09, PROVIDED, HOWEVER, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 2.09 shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

ARTICLE III

BOARD OF DIRECTORS

SECTION 3.01. GENERAL POWERS. The business and affairs of the Corporation shall be managed by the Board, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law, the Certificate of Incorporation or these Bylaws directed or required to be exercised or done by stockholders.

SECTION 3.02. NUMBER AND TERM OF OFFICE. Subject to the rights, if any, of holders of preferred stock of the Corporation, the Board shall consist of not less than three nor more than fifteen members, the exact number of which shall be fixed from time to time by the Board. The Board shall, by resolution passed by a majority of the Board, designate the directors to serve as initial Class I, Class II and Class III directors upon filing of the Certificate of Incorporation with the Secretary of State of the State of Delaware. Except as provided in Section 3.05 of this Article III, directors shall be elected by a plurality of the votes cast at annual meetings of stockholders, and each director so elected shall hold office as provided by Article VIII of the Certificate of Incorporation. None of the directors need be stockholders of the Corporation.

SECTION 3.03. NOMINATION OF DIRECTORS AND ADVANCE NOTICE THEREOF. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation except as may be otherwise provided in the Certificate of Incorporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (a) by or at the direction of the Board (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 3.03.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of any annual meeting, not less than 60 days nor more than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; PROVIDED, HOWEVER, that (i) in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, or (ii) in the case of the annual meeting of stockholders held during the 1997 fiscal year of the Corporation, notice by the stockholder in order to be

timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Each proposed nominee shall consent in writing to being named as a nominee and to serve as a director if elected, and such written consent must be submitted with the stockholder's notice to the Secretary.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3.03. If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

SECTION 3.04. RESIGNATION. Any Director may resign at any time by giving written notice to the Board, the Chairman, the Chief Executive Officer, the President or the Secretary. Such resignation shall take effect at the time specified in such notice or, if the time be not specified, upon receipt thereof by the Board, the Chairman, the Chief Executive Officer, the President or the

Secretary, as the case may be. Unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

SECTION 3.05. VACANCIES. Vacancies occurring in the Board and newly created directorships may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy shall hold office for a term that shall coincide with the term of the class to which such director shall have been elected.

SECTION 3.06. MEETINGS. (a) ANNUAL MEETINGS. As soon as practicable after each annual election of Directors by the stockholders, the Board shall meet for the purpose of organization and the transaction of other business, unless it shall have transacted all such business by written consent pursuant to Section 3.08 hereof.

(b) OTHER MEETINGS. Other meetings of the Board shall be held at such times as the Board, the Chairman, the Chief Executive Officer, the President or the Secretary shall from time to time determine.

(c) NOTICE OF MEETINGS. The Secretary or any Assistant Secretary shall give written notice to each Director of each meeting of the Board, which notice shall state the place, date, time and purpose of such meeting. Notice of each such meeting shall be given to each Director, if by mail, addressed to him at his residence or usual place of business, at least two days before the day on which such meeting is to be held, or shall be sent to him at such place by telecopy, telegraph, cable, or other form of recorded communication, or be delivered personally or by telephone not later than the day before the day on which such meeting is to be held. A written waiver of notice, signed by the Director entitled to notice, whether before or after the time of the meeting referred to in such waiver, shall be deemed equivalent to notice. Neither the business to be transacted at, nor the purpose of any meeting of the Board need be specified in any written waiver of notice thereof. Attendance of a Director at a meeting of the Board shall constitute a waiver of notice of such meeting, except as provided by law.

(d) PLACE OF MEETINGS. The Board may hold its meetings at such place or places within or without the State of Delaware as the Board or the Chairman may from time to time determine, or as shall be designated in the respective notices or waivers of notice of such meetings.

(e) QUORUM AND MANNER OF ACTING. A majority of the total number of Directors (but not less than two) shall constitute a quorum for the transaction of business at any meeting of the Board, and the vote of a majority of those Directors present at any such meeting at which a quorum is present shall be necessary for the passage of any resolution or act of the Board, except as otherwise expressly required by law, the Certificate of Incorporation or these Bylaws. In the absence of a quorum for any such meeting, a majority of the Directors present thereat may adjourn such meeting from time to time until a quorum shall be present.

(f) ORGANIZATION. At each meeting of the Board, one of the following shall act as chairman of the meeting and preside, in the following order of precedence:

(i) the Chairman;

(ii) the Chief Executive Officer or President;

(iii) any Director chosen by a majority of the Directors present.

The Secretary or, in the case of his absence, any person (who shall be an Assistant Secretary, if an Assistant Secretary is present) whom the chairman of the meeting shall appoint shall act as secretary of such meeting and keep the minutes thereof.

SECTION 3.07. COMMITTEES OF THE BOARD. The Board may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more Directors. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another Director to act at the meeting in the place of any such absent or disqualified member. Any committee of the Board, to the extent provided in the resolution of the Board designating such committee, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; PROVIDED, HOWEVER, that no such committee shall have such power or authority in reference to amending the Certificate of Incorporation (except that such a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board as provided in Section 151(a) of the General Corporation Law of the State of Delaware (the "GENERAL CORPORATION LAW"), fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), adopting an agreement of merger or consolidation under Section 251, 252, 254, 255, 256, 257, 258, 263, or 264 of the General Corporation Law, recommending to the stockholders the sale, lease or exchange of all or substantially all the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or the revocation of a dissolution, or amending these Bylaws; PROVIDED, FURTHER, HOWEVER, that, unless expressly so provided in the resolution of the Board designating such committee, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law. Each committee of the Board shall keep

regular minutes of its proceedings and report the same to the Board when so requested by the Board.

SECTION 3.08. DIRECTORS' CONSENT IN LIEU OF MEETING. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by all the members of the Board or such committee and such consent is filed with the minutes of the proceedings of the Board or such committee.

SECTION 3.09. ACTION BY MEANS OF TELEPHONE OR SIMILAR COMMUNICATIONS

EQUIPMENT. Any one or more members of the Board, or of any committee thereof, may participate in a meeting of the Board or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

SECTION 3.10. COMPENSATION. Unless otherwise restricted by the Certificate of Incorporation, the Board may determine the compensation of Directors. In addition, as determined by the Board, Directors may be reimbursed by the Corporation for their expenses, if any, in the performance of their duties as Directors. No such compensation or reimbursement shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV

OFFICERS

SECTION 4.01. OFFICERS. The officers of the Corporation shall be the Chairman, the President, the Chief Executive Officer, the Chief Operating Officer, the Secretary and the Chief Financial Officer and may include one or more Vice Presidents (which may include Senior Vice Presidents, Executive Vice Presidents and Senior Executive Vice Presidents) and one or more Assistant Secretaries and one or more Assistant Financial Officers. Any two or more offices may be held by the same person.

SECTION 4.02. AUTHORITY AND DUTIES. All officers, as between themselves and the Corporation, shall have such authority and perform such duties in the management of the Corporation as may be provided in these Bylaws or, to the extent not so provided, by resolution of the Board.

SECTION 4.03. TERM OF OFFICE, RESIGNATION AND REMOVAL. (a) Each officer shall be elected or appointed by, or in such matter as shall be determined by, the Board and shall hold office for such term as may be determined by the Board. Each officer shall hold

office until his successor has been appointed and qualified or his earlier death or resignation or removal in the manner hereinafter provided. The Board may require any officer to give security for the faithful performance of his duties.

(b) Any officer may resign at any time by giving written notice to the Board, the Chairman, the Chief Executive Officer, the President or the Secretary. Such resignation shall take effect at the time specified in such notice or, if the time be not specified, at the time it is accepted by the Board, the Chairman, the President or the Secretary, as the case may be. Unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

(c) All officers and agents appointed by the Board shall be subject to removal, with or without cause, at any time by the Board.

SECTION 4.04. VACANCIES. Any vacancy occurring in any office of the Corporation, for any reason, shall be filled by action of the Board. Unless earlier removed pursuant to Section 4.03 hereof, any officer appointed by the Board to fill any such vacancy shall serve only until such time as the unexpired term of his predecessor expires unless reappointed by the Board.

SECTION 4.05. THE CHAIRMAN. The Chairman shall have the power to call special meetings of stockholders, to call special meetings of the Board and, if present, to preside at all meetings of stockholders and all meetings of the Board. The Chairman shall perform all duties incident to the office of

Chairman of the Board and all such other duties as may from time to time be assigned to him by the Board or these Bylaws.

SECTION 4.06. THE CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall, together with the President and subject to the control of the Board, have general and active management and control of the business and affairs of the Corporation and shall see that all orders and resolutions of the Board are carried into effect. The Chief Executive Officer shall perform all duties incident to the office of Chief Executive Officer and all such other duties as may from time to time be assigned to him by the Board or these Bylaws.

SECTION 4.07. THE PRESIDENT. The President shall, together with the Chief Executive Officer and subject to the control of the Board, have general and active management and control of the business and affairs of the Corporation and shall see that all orders and resolutions of the Board are carried into effect. The President shall perform all duties incident to the office of President and all such other duties as may from time to time be assigned to him by the Board or these Bylaws.

SECTION 4.08. THE CHIEF OPERATING OFFICER. The Chief Operating Officer shall, subject to the control of the Board, the Chief Executive Officer and the President, have general and active management and control of the operation of the business of the Corporation and shall see that all orders and resolutions of the Board, the Chief Executive

Officer and the President are carried into effect. The Chief Operating Officer shall perform all duties incident to the office of Chief Operating Officer and all such other duties as may from time to time be assigned to him by the Board or these Bylaws.

SECTION 4.09. VICE PRESIDENTS. Vice Presidents of the Corporation ("VICE PRESIDENTS"), if any, in order of their seniority or in any other order determined by the Board, shall generally assist the Chief Executive Officer, the President and the Chief Operating Officer perform such other duties as the Board or the President shall prescribe, and in the absence or disability of the Chief Executive Officer, the President or the Chief Operating Officer, shall perform the duties and exercise the powers of the Chief Executive Officer, the President or the Chief Operating Officer, as the case may be.

SECTION 4.10. THE SECRETARY. The Secretary shall, to the extent practicable, attend all meetings of the Board and all meetings of stockholders and shall record all votes and the minutes of all proceedings in a book to be kept for that purpose, and shall perform the same duties for any committee of the Board when so requested by such committee. He shall give or cause to be given notice of all meetings of stockholders and of the Board, shall perform such other duties as may be prescribed by the Board, the Chairman, the Chief Executive Officer or the President, under whose supervision he shall act. He shall keep in safe custody the seal of the Corporation and affix the same to any instrument that requires that the seal be affixed to it and which shall have been duly authorized for signature in the name of the Corporation and, when so affixed, the seal shall be attested by his signature or by the signature of the Chief Financial Officer of the Corporation or an Assistant Secretary or Assistant Financial Officer of the Corporation. He shall keep in safe custody the certificate books and stockholder records and such other books and records of the Corporation as the Board, the Chairman, the Chief Executive Officer or the President may direct and shall perform all other duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board, the Chairman, the Chief Executive Officer or the President.

SECTION 4.11. ASSISTANT SECRETARIES. Assistant Secretaries of the Corporation ("ASSISTANT SECRETARIES"), if any, in order of their seniority or in

any other order determined by the Board, shall generally assist the Secretary and perform such other duties as the Board or the Secretary shall prescribe, and, in the absence or disability of the Secretary, shall perform the duties and exercise the powers of the Secretary.

SECTION 4.12. THE CHIEF FINANCIAL OFFICER. The Chief Financial Officer shall have the care and custody of all the funds of the Corporation and shall deposit such funds in such banks or other depositories as the Board, or any officer or officers, or any officer and agent jointly, duly authorized by the Board, shall, from time to time, direct or approve. He shall disburse the funds of the Corporation under the direction of the Board, the Chairman or the President. He shall keep a full and accurate account of all moneys received and paid on account of the Corporation and shall render a statement of his accounts whenever the Board, the Chairman or the President shall so request. He shall perform all

other necessary actions and duties in connection with the administration of the financial affairs of the Corporation and shall generally perform all the duties usually appertaining to the office of treasurer of a corporation. When required by the Board, he shall give bonds for the faithful discharge of his duties in such sums and with such sureties as the Board shall approve.

SECTION 4.13. ASSISTANT FINANCIAL OFFICERS. Assistant Financial Officers of the Corporation, if any, in order of their seniority or in any other order determined by the Board, shall generally assist the Chief Financial Officer and perform such other duties as the Board or the Chief Financial Officer shall prescribe, and, in the absence or disability of the Chief Financial Officer, shall perform the duties and exercise the powers of the Chief Financial Officer.

ARTICLE V

CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, AND PROXIES

SECTION 5.01. EXECUTION OF DOCUMENTS. The Chairman, the Chief Executive Officer, the President and the Chief Operating Officer, and the officers, employees and agents of the Corporation designated by the Board (or any duly authorized committee thereof to the extent permitted by law), shall have power to execute and deliver deeds, contracts, mortgages, bonds, debentures, checks, drafts and other orders for the payment of money and other documents for and in the name of the Corporation, and each such officer, employee and agent, without further action by the Board, may delegate such power (including authority to redelegate) by any means, written or oral, to other officers, employees or agents of the Corporation; and, unless so designated or expressly authorized by these Bylaws, no officer or agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable pecuniarily for any purpose or to any amount.

SECTION 5.02. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation or otherwise as the Board, or any officer of the Corporation to whom power in this respect shall have been given by the Board, shall direct.

SECTION 5.03. PROXIES IN RESPECT OF STOCK OR OTHER SECURITIES OF OTHER CORPORATIONS. The Board shall designate the officers of the Corporation who shall have authority from time to time to appoint an agent or agents of the Corporation to exercise in the name and on behalf of the Corporation the powers and rights that the Corporation may have as the holder of stock or other securities in any other corporation, and to vote or consent in respect of such

stock or securities. Such designated officers may instruct the person or persons so appointed as to the manner of exercising such powers and rights, and such designated officers may execute or cause to be executed in the name and on behalf of

the Corporation and under its corporate seal, or otherwise, such written proxies, powers of attorney or other instruments as they may deem necessary or proper in order that the Corporation may exercise such powers and rights.

ARTICLE VI

SHARES AND TRANSFERS OF SHARES

SECTION 6.01. CERTIFICATES EVIDENCING SHARES. Every owner of shares of stock of the Corporation shall be entitled to have a certificate certifying the number and class of shares of stock of the Corporation owned by him, which certificate shall be in such form as may be prescribed by the Board. Certificates shall be issued in consecutive order and shall be numbered in the order of their issue, and shall be signed by the Chairman, the Chief Executive Officer, the President, the Chief Operating Officer or any Vice President and by the Secretary, any Assistant Secretary, the Chief Financial Officer or any Assistant Financial Officer. Any or all signatures on the certificate may be a facsimile. In the event any such officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to hold such office or to be employed by the Corporation before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if such officer had held such office on the date of issue.

SECTION 6.02. STOCK LEDGER. A stock ledger in one or more counterparts shall be kept by the Secretary, in which shall be recorded the name and address of each person, firm or corporation owning the shares evidenced by each certificate for stock issued by the Corporation, the number of shares of stock evidenced by each such certificate, the date of issuance thereof and, in the case of cancellation, the date of cancellation. Except as otherwise expressly required by law, the person in whose name shares of stock stand on the stock ledger of the Corporation shall be deemed the owner and recordholder thereof for all purposes as regards the Corporation.

SECTION 6.03. TRANSFERS OF SHARES. Registration of transfers of shares of stock shall be made only in the stock ledger of the Corporation upon request of the registered holder of such shares, or of his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary, and upon the surrender of the certificate or certificates evidencing such shares properly endorsed or accompanied by a stock power duly executed, together with such proof of the authenticity of signatures as the Corporation may reasonably require.

SECTION 6.04. ADDRESSES OF STOCKHOLDERS. Each stockholder shall designate to the Secretary an address at which notices of meetings and all other corporate notices may be served or mailed to such stockholder, and, if any stockholder shall fail to so designate such an address, corporate notices may be served upon such stockholder by mail directed to

the mailing address, if any, as the same appears in the stock ledger of the Corporation or at the last known mailing address of such stockholder.

SECTION 6.05. LOST, DESTROYED AND MUTILATED CERTIFICATES. A holder of shares of stock of the Corporation shall promptly notify the Corporation of any loss, destruction or mutilation of any certificate or certificates evidencing all or any such shares of stock. The Board may, in its discretion, cause the Corporation to issue a new certificate in place of any certificate theretofore issued by it and alleged to have been mutilated, lost, stolen or destroyed, upon the surrender of the mutilated certificate or, in the case of loss, theft or destruction of the certificate, upon satisfactory proof of such loss, theft or destruction, and the Board may, in its discretion, require the recordholder of the shares of stock evidenced by the lost, stolen or destroyed certificate or his legal representative to give the Corporation a bond sufficient to indemnify the Corporation against any claim made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 6.06. REGULATIONS. The Board may make such other rules and regulations as it may deem expedient, not inconsistent with these Bylaws, concerning the issue, transfer and registration of certificates evidencing shares of stock of the Corporation.

SECTION 6.07. FIXING DATE FOR DETERMINATION OF STOCKHOLDERS OF RECORD. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to, or to dissent from, corporate action, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other such corporate action. A determination of the stockholders entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of such meeting; PROVIDED, HOWEVER, that the Board may fix a new record date for the adjourned meeting.

ARTICLE VII

SEAL

SECTION 7.01. SEAL. The Board may approve and adopt a corporate seal, which shall be in the form of a circle and shall bear the full name of the Corporation, the year of its incorporation and the words "Corporate Seal Delaware".

ARTICLE VIII

FISCAL YEAR

SECTION 8.01. FISCAL YEAR. The fiscal year of the Corporation shall end on the thirty-first day of December of each year unless changed by resolution of the Board.

ARTICLE IX

INDEMNIFICATION AND INSURANCE

SECTION 9.01. INDEMNIFICATION. (a) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil,

criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of NOLO CONTENDERE or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the

circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 9.01(a) and (b) of these Bylaws, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under Section 9.01(a) and (b) of these Bylaws (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 9.01(a) and (b) of these Bylaws. Such determination shall be made (i) by a majority vote of directors who are not parties to such action, suit or proceeding even though less than a quorum, or (ii) if there are no such directors, if such directors so direct, by independent legal counsel in a written opinion, or (iii) by the stockholders of the Corporation.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an

undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation pursuant to this Article IX. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, other Sections of this Article IX shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any law, bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office.

(g) For purposes of this Article IX, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article IX with respect to the resulting or surviving corporation as he

would have with respect to such constituent corporation if its separate existence had continued.

(h) For purposes of this Article IX, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves service by, such director, officer, employee or agent with respect to any employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article IX.

(i) The indemnification and advancement of expenses provided by, or granted pursuant to, this Article IX shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 9.02. INSURANCE FOR INDEMNIFICATION. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of Section 145 of the General Corporation Law.

ARTICLE X

AMENDMENTS

SECTION 10.01. AMENDMENTS. These Bylaws may be altered, amended or repealed, in whole or in part, or new Bylaws may be adopted, either by the Board or by the stockholders of the Corporation upon the affirmative vote of the holders of at least 66-2/3% of the outstanding capital stock entitled to vote thereon.

EXHIBIT 4.3

Temporary Certificate--Exchangeable for Definitive Engraved Certificate When Ready for Delivery

NUMBER SHARES

[LOGO] GUESS ?, INC.

THIS CERTIFICATE IS TRANSFERABLE IN THE CITIES OF BOSTON OR NEW YORK

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

SEE REVERSE FOR CERTAIN DEFINITIONS
CUSIP 401617 10 5

This Certifies that

is the record holder of

FULLY PAID AND NONASSESSABLE SHARES OF COMMON STOCK, $.01 PAR VALUE, OF

GUESS ?, INC.

transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

[SEAL]

/s/ ARMAND MARCIANO
SECRETARY

/s/ MAURICE MARCIANO
CHAIRMAN

COUNTERSIGNED AND REGISTERED:
THE FIRST NATIONAL BANK OF BOSTON
TRANSFER AGENT AND REGISTRAR

BY

AUTHORIZED SIGNATURE

AMERICAN BANK NOTE COMPANY JULY 12, 1996 dw
3504 ATLANTIC AVENUE
SUITE 12
LONG BEACH, CA 90807 045133fc
(310) 989-2333
(FAX) (310) 426-7450 308-19x proof __ REV 1

The Corporation shall

furnish without charge to each stockholder who so requests a statement of the owners, designations, preferences and relative, participating, optional or other special rights of each class of stock of the Corporation or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Such requests shall be made to the Corporation's Secretary at the principal office of the Corporation.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common	UNIF GIFT MIN ACT -- .....Custodian..... (Cust) (Minor) under Uniform Gifts to Minors Act..... (Minor)
TEN ENT -- as tenants by the entities	
JT TEN -- as joint tenants with rights of survivorship and not as tenants in common	UNIF TRF MIN ACT -- .....Custodian (until age ....) (Cust) .....under Uniform Transfers (Minor) to Minors Act..... (state)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____

_____

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE)

_____

_____

_____Shares
of the common stock represented by the within Certificate, and do hereby irrevocably constitute
and appoint

_____Attorney
to transfer the said stock on the books of the within named Corporation with full power of
substitution in the premises.

Dated _____

X _____
X _____
NOTICE: THE SIGNATURE(S): TO THE ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed

By _____
THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCK-BROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE 17Ad-15.

EXHIBIT 5.1

[LETTERHEAD OF SHEARMAN & STERLING]

July 29, 1996

Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021

Ladies and Gentlemen:

We are acting as counsel for Guess ?, Inc., a Delaware corporation (the "Company"), in connection with the filing by the Company with the Securities and Exchange Commission of a Registration Statement on Form S-1 (No. 333-4419) (the "Registration Statement") covering the registration under the Securities Act of 1933, as amended (the "Act"), of shares of the Company's common stock, par value $.01 per share (the "Shares"). The Shares are to be sold by the Company pursuant to the terms of (i) a purchase agreement (the "U.S. Purchase Agreement") among the Company and the several U.S. underwriters named therein and (ii) a purchase agreement (the "International Purchase Agreement" and, together with the U.S. Purchase Agreement, the "Purchase Agreements") among the Company and the several international underwriters named therein.

We have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents and corporate and public records as we have deemed necessary as a basis for the opinion hereinafter expressed. In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents presented to us as originals and the conformity to the originals of all documents presented to us as copies. In rendering our opinion, we have relied as to factual matters upon officers of the Company and certificates of public officials.

Our opinion expressed herein is limited to the General Corporation Law of the State of Delaware.

Based on the foregoing and having regard for such legal considerations as we deem relevant, we are of the opinion that, upon approval of the Company's Restated Certificate of Incorporation by the Company's Board of Directors and stockholders and the filing of the Restated Certificate of Incorporation with the Secretary of State of the State of

Delaware, the Shares, when issued and delivered in accordance with the terms of the Purchase Agreements, will be validly issued, fully paid and non-assessable.

We hereby consent to the use of this opinion as Exhibit 5.1 to the Registration Statement and to the use of our name under the caption "Legal Matters" contained in the prospectus which is included in the Registration Statement. In addition, we consent to the incorporation by reference of this opinion into any related registration statement subsequently filed pursuant to Rule 462(b) of the Act. In giving this consent, we do not thereby concede

that we come within the category of persons whose consent is required by the Act or the General Rules and Regulations promulgated thereunder.

Very truly yours,

/s/ SHEARMAN & STERLING

AMENDED AND RESTATED
SHAREHOLDERS' AGREEMENT

THIS AMENDED AND RESTATED SHAREHOLDERS' AGREEMENT is entered into as of August __, 1996 (this "Restated Agreement"), by and among Maurice Marciano, as Trustee of the Maurice Marciano Trust under Trust dated February 24, 1986, Paul Marciano, as Trustee of the Paul Marciano Trust under Trust dated February 20, 1986, and Armand Marciano, as Trustee of the Armand Marciano Trust under Trust dated February 20, 1986, (collectively, the "Initial Stockholders") and Guess ?, Inc., a Delaware corporation, having its principal office and place of business at 1444 South Alameda Street, Los Angeles, California 90021 (hereinafter referred to as the "Corporation").

WHEREAS, the Initial Stockholders are currently the owners of 29,382,001 shares or all of the issued and outstanding shares (the "Shares") of the Corporation's common stock, par value $.01 per share (the "Common Stock"), and, after the proposed offering of up to 10,580,000 shares of Common Stock by the Corporation, the Initial Stockholders will continue to own approximately 70% of the Corporation's issued and outstanding capital stock;

WHEREAS, the Initial Stockholders and the Corporation are parties to a Restated Shareholders' Agreement dated as of November 12, 1993, as amended to date (the "Shareholders' Agreement"), which governs, among other issues, the management and ownership of the shares of Common Stock owned by the Stockholders;

WHEREAS, the Stockholders and the Corporation desire to further amend and restate the Shareholders' Agreement in its entirety and to add additional parties to this Restated Agreement as Stockholder; and

WHEREAS, the Maurice Marciano 1996 Grantor Retained Annuity Trust, the Paul Marciano 1996 Grantor Retained Annuity Trust and the Armand Marciano 1996 Grantor Retained Annuity Trust (collectively, the "Transferee Stockholders" and, together with the Initial Stockholders, being referred to herein, collectively, as the "Stockholders") collectively hold the remaining 3,299,818 shares or 10% of the Common Stock and desire to become parties to this Restated Agreement, and the Initial Stockholders and the Corporation are willing to add them as parties thereto.

NOW, THEREFORE, in consideration of the premises and the mutual covenants set forth herein, the parties hereto agree that the Shareholders' Agreement is hereby further amended and restated to read in its entirety as follows:

1. TERM OF AGREEMENT

This Restated Agreement shall be effective from the date hereof until the earliest to occur of any of the following:

(i) The cessation for a substantial period of time of the Corporation's business;

(ii) The liquidation or dissolution of the Corporation;

(iii) The entry of a decree or order by a court having jurisdiction adjudging the Corporation bankrupt or insolvent or seeking reorganization, arrangement, adjustment or composition of or in respect of the Corporation, or appointing a custodian, receiver, liquidator, trustee (or other similar official) of the Corporation or ordering the winding up or the liquidation of its affairs and the continuance of such decree or order unstayed and in effect for a period of 60 consecutive days;

(iv) A permitted transfer of all of the Shares by the

Stockholders;

(v) Only one Stockholder shall own shares of Common Stock or other voting securities of the Corporation; or

(vi) The aggregate amount of Common Stock held by the Stockholders shall constitute less than 10% of the issued and outstanding Common Stock.

2. VOTING AGREEMENT

Each of the Stockholders hereby covenants and agrees that, so long as it is a stockholder of the Corporation, he will vote (or cause the voting of) the shares of Common Stock of the Corporation then owned by it (or any such shares which he has the right to vote, pursuant to any agreement or proxy), in favor of the election of each of Messrs. Maurice Marciano, Paul Marciano and Armand Marciano, in their individual capacities (collectively, the "Individuals") (or, if any of them shall decline to serve, the designee (if any) of such person, if such designee shall be reasonably acceptable to the other Individuals) to the Board of Directors of the Corporation (the "Board"). In the event of the death or disability of any of the Individuals, the executor, conservator or lawful heir of such person shall assume such

person's right to designate a Director (including such executor, conservator or lawful heir) for election as aforesaid.

3. LEGENDS ON CERTIFICATES

The certificates evidencing the shares of Common Stock held by the Stockholders shall bear any legends required by federal or state securities law and the following legend required by Section 202(a) of the Delaware General Corporation Law (the "DGCL"):

> "The shares represented by this Certificate may not be assigned, sold, transferred, hypothecated, or otherwise disposed of, except in accordance with the Amended and Restated Stockholders' Agreement dated as of August __, 1996, which is on file at the office of the issuer."

4. RESTRICTIONS ON DISPOSITION

A. Subject to Subsection E below, no Stockholder shall voluntarily transfer, sell, assign, pledge, encumber, grant any option with respect to, or otherwise create any legal or equitable interest in any shares of Common Stock owned by it except pursuant to a sale of all or any part of such shares of Common Stock for cash, notes or Public Equity Securities (as hereinafter defined), or a combination of the three, made in accordance with Subsection B below. As used herein, "Public Equity Securities" shall mean any securities which are either listed on a national securities exchange or are traded on the National Association of Securities Dealers Automated Quotation System and which, in the hands of the Stockholder or Stockholders receiving them in payment for any Shares, will be (i) freely transferable without registration under the Securities Act of 1933, as amended, or any applicable state securities law, and (ii) free and clear of any liens, claims, right to purchase or sell or other encumbrance of any kind.

B. If any Stockholder shall receive a bona fide offer (an "Offer") to purchase any of the shares of Common Stock owned by it (the "Offered Shares") for cash, notes or Public Equity Securities, or a combination thereof, that Stockholder (the "Offering Stockholder") shall first offer in writing (a "Sale

Notice") to sell the Offered Shares to those Initial Stockholders not selling Offered Shares and the Corporation (collectively, the "Offerees") on the same terms and conditions as are contained in the Offer; PROVIDED, HOWEVER, that the date for consummation of such sale to the Offerees (the "Offeree Closing Date") shall be no less than 20 nor more than 30 days after the date of receipt of the Sale Notice by the Offerees; and PROVIDED FURTHER, that such Offeree shall be entitled to substitute any combination of cash and Public Equity Securities for the cash and Public Equity Securities components of the Offer so long as on the Offeree Closing Date the total consideration in the form of cash and Public Equity Securities offered by such Offerees is equal to the total consideration in the form of cash and Public Equity Securities in the Offer. Each Offeree shall have the right to purchase all (but not less than all) of the Offered Shares

and shall exercise such right by tendering written notice thereof to the Offering Stockholder within 30 days of receipt of the Sale Notice. If more than one Offeree exercises its right to purchase the Offered Shares (each, a "Purchaser"), each such Purchaser shall be entitled to purchase Offered Shares in the following priority: (x) first, to the Offerees that are Initial Stockholders, each of whom shall be entitled to purchase the number of the Offered Shares which bears the same relationship to the total number of Offered Shares as the number of shares of Common Stock owned by such Initial Stockholder bears to the total number of shares of Common Stock owned by all of the Offerees that are Initial Stockholders, and (y) second, to the Corporation, to the extent that the Initial Stockholders do not elect to purchase all of the Offered Shares.

To the extent that either the Initial Stockholders or the Corporation do not purchase the Offered Shares on or before the Offeree Closing Date, then the Offering Stockholder may sell such unpurchased Offered Shares as above provided to the third party pursuant to the Offer at any time within three months after the expiration of the 30 day period provided above, but only on terms and conditions no less favorable to the Offering Stockholder than those specified in the Offer.

C. For purposes of Subsection B above, all offers to the Offerees by the Offering Stockholder shall state the entire terms of such offer, including, without limitation, purchase price, form of consideration and financing terms and shall include a copy of the Offer made by the third party.

D. In the event that any shares of Common Stock owned by any Stockholder who is a party hereto shall be sold upon execution sale or shall otherwise be transferred pursuant to legal process or shall be transferred pursuant to an agreement entered into in connection with a divorce or separation between the beneficial owner of such shares and such person's spouse, or any arrangement with creditors of any Stockholder, the beneficial owner of shares of Common Stock held by such Stockholder or the Corporation or any other legal proceeding, the other Stockholders and the Corporation, in accordance with the procedures established in Section B above, shall have an option to purchase the shares so sold or transferred from the transferee at the same price paid by the transferee for such shares by written notice given to the transferee for such shares, by written notice given to such transferee within 30 days after the execution sale or such other transfer. In the event that no price is paid by the transferee, the other Stockholders and the Corporation shall have the option to purchase such shares, in accordance with the procedures established in Section B above, at the appraised fair market value of such shares, as determined by an independent appraiser of recognized standing selected by the Corporation. Until the expiration of the 30-day period referred to above, such transferee shall be obligated to vote the shares of Common Stock transferred to it in accordance with the terms of this Restated Agreement.

E. Nothing in this Section shall prohibit the transfer of shares, (1) on the death of the settlor of any Stockholder, (a) by his will or other instrument disposing of his property on death (including an instrument creating any Stockholder), (b) pursuant to the laws of descent and distribution applicable to his estate, (2) by any Stockholder to its settlor (identified in the instrument creating the Stockholder, as in effect on the date hereof) or to any one or more of the lineal descendants of such settlor, or to any trust for the exclusive benefit of any such lineal descendants; PROVIDED, that any such transfer in trust shall not be prohibited solely because the terms of such trust provide a remainder interest to or for the benefit of one or more persons who is not a lineal descendant of the settlor, so long as such interest is payable only in the event that neither such settlor nor any such lineal descendant of the settlor is then living or (3) in connection with a registered offering of shares of Common Stock by any Stockholder pursuant to the Registration Rights Agreement dated August __, 1996 among the Stockholders and the Corporation. Any successor or transferee who receives shares pursuant to an event described in clause (1) or (2) above shall, as a condition of such transfer, enter into an agreement to be bound by the provisions of this Restated Agreement in its entirety, shall be deemed to be a "Stockholder" hereunder and, for purposes of this subsection, if an individual, shall be deemed to be the "settlor of a Stockholder."

5. ARBITRATION OF DISPUTES

Any controversy or claim arising out of or relating to this Restated Agreement or the breach thereof shall be settled by submission to binding arbitration at the request of any party to such controversy or claim. In such event, arbitration shall be conducted before a single Primary Arbitrator in the State of California, County of Los Angeles. Such Primary Arbitrator shall be selected by a panel of three arbitrators. Each of the Initial Stockholders shall be entitled to select one member of such panel of arbitrators who is reasonably acceptable to the other Stockholders. If the Stockholders are unable to agree on all the members of such panel of arbitrators, then the remaining arbitrators shall be selected by an administrator of the Judicial Arbitration and Mediation Services, Inc. from its panel of retired judges. The Primary Arbitrator shall conduct such arbitration in accordance with the rules established by the panel of arbitrators. Judgment may be entered on the arbitrator's award in any court having jurisdiction. To the extent necessary to obtain any provisional relief of any dispute or controversy or clam arising under or in connection with this Restated Agreement, the parties hereto expressly consent to the jurisdiction of the state courts located in the State of California, County of Los Angeles, and consent that any service of process therefor may be made by personal service upon the parties hereto wherever each may be located, or by certified or registered mail directed to the parties hereto at each such party's respective address as set forth in Section 13 hereof.

6. BENEFIT

Except upon the occurrence of a termination event as provided in Section 1, this Restated Agreement shall be binding upon and shall operate for the benefit of the parties hereto, their respective successors and assigns.

7. INVALIDITY OF ANY PROVISION

The invalidity or unenforceability of any provision of this Restated Agreement shall not affect the other provisions hereof, and the Restated Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted, provided that the parties shall negotiate in good faith to replace the invalid provision with a valid provision reflecting the same

balance of economic interests.

8. MODIFICATION OF AGREEMENT

No modification, amendment or waiver of any of the provisions of this Restated Agreement shall be valid unless made in writing and signed by the Corporation and each Stockholder or other party subject to this Restated Agreement from time to time.

9. FURTHER ACTION

A. The Corporation shall not register, and shall instruct any transfer agent for the Common Stock not to register, on the books of the Corporation any transfer, pledge or encumbrance of any shares of Common Stock subject to this Agreement, unless such transfer, pledge or encumbrance complies with terms of this Agreement and the Stockholders agree to provide the Corporation (or any such transfer agent) with such documents, including an opinion of counsel as to compliance with the terms of this Restated Agreement, as the Corporation (or any such transfer agent) may reasonably request.

B. A copy of this Restated Agreement shall be made a part of the minutes of the Corporation.

10. ATTORNEY'S FEES AND COSTS

If any action at law or in equity (including any arbitration proceeding under Section 5 above) is necessary to enforce or interpret the terms of this Restated Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs, and necessary disbursements, in addition to any other relief to which he may be entitled.

11. APPLICABLE LAW

This Restated Agreement shall be construed in accordance with the laws of the State of Delaware.

12. ENTIRE AGREEMENT

This Restated Agreement supersedes all agreements as to the subject matter hereof among the Stockholders and the Corporation including in each case amendments thereto, previously executed by the Stockholders and the Corporation. This Restated Agreement sets forth all of the provisions, covenants, agreements, conditions and undertakings between the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings express or implied, oral or written as to the subject matter hereof.

13. NOTICES

Unless otherwise specified herein, all notices, requests, demands and other communications to be given under this Restated Agreement shall be in writing and shall be deemed given if (i) delivered in person, or by United States mail, certified or registered, with return receipt requested, (ii) if sent by telex or facsimile transmission, with a copy mailed on the same day in the manner provided in (i) above, when transmitted and receipt is confirmed by telephone, or (iii) if otherwise actually delivered:

TO THE CORPORATION:	1444 South Alameda Street, Los Angeles, California 90021, with copies to each Director and each Stockholder as their names and addresses appear on the records of the Corporation;
TO ANY STOCKHOLDER:	As the name and address of such Stockholder appears

on the record of stockholders of the Corporation;

or at such other address as may have been furnished by such person in writing to the other parties. Any such notice, demand or other communication shall be deemed to have been given on the date actually delivered or as of the date mailed, as the case may be.

[Signature pages follow]

IN WITNESS WHEREOF, the undersigned have caused this Restated Agreement to be executed as of the date first hereinabove written.

GUESS ?, INC.

By:

Name:
Title:

STOCKHOLDERS

MAURICE MARCIANO TRUST
(1995 RESTATEMENT)

By:

Maurice Marciano
Trustee

PAUL MARCIANO TRUST
DATED FEBRUARY 20, 1986

By:

Paul Marciano
Trustee

ARMAND MARCIANO TRUST
DATED FEBRUARY 20, 1986

By:

Armand Marciano
Trustee

MAURICE MARCIANO 1996 GRANTOR RETAINED ANNUITY TRUST

By:

Paul Marciano
Co-Trustee

By:

Gary W. Hampar
Co-Trustee

PAUL MARCIANO 1996 GRANTOR RETAINED ANNUITY TRUST

By:

Maurice Marciano
Co-Trustee

By:

Joseph H. Sugerman
Co-Trustee

ARMAND MARCIANO 1996 GRANTOR RETAINED ANNUITY TRUST

By:

Maurice Marciano
Co-Trustee

By:

Marc E. Petas
Co-Trustee

EXHIBIT 10.4

January 22, 1996

Ms. Andrea Weiss
124 West 60th Street
New York, NY 10023

Dear Andrea:

Congratulations on your decision to join Guess?, Inc.

I am pleased to confirm your employment with Guess as President of Retail Operations. You will have full responsibility for the day to day general management of the operations of the retail division. You will report directly to the Board of Directors; Paul, Armand and me.

Your minimum compensation for the first year will be $375,000.00, of which $50,000.00 will be paid within thirty (30) days of your joining Guess. The balance of your minimum compensation for the first year, namely $325,000.00, will be paid to you in bi-weekly installments.

Within sixty (60) days of your joining Guess, you will meet with the Board of Directors and discuss a business plan for the Retail Division prepared by you. Upon mutual agreement of the business plan, the following bonus plan will be in effect:

If the business plan for the first year is exceeded by 50% or more you shall receive a bonus of $200,000.00. If the business plan is exceeded by 100% or more, you shall receive a bonus of $325,000.00. If the business plan is merely achieved for the first year, you shall receive a bonus of $125,000.00.

Your base salary for the second year shall be $375,000.00 upon achievement of the first year business plan. In the event the business plan is not achieved for the first year, your base salary for the second year shall be $325,000.00.

If the agreed upon business plan for the second year is exceeded by 50% or more you shall receive a bonus of $200,000.00. If the business plan for the second year is exceeded by 100% or more you shall receive a bonus of $325,000.00. If the business plan for the second year is merely achieved, you shall receive a bonus of $125,000.00.

The term of your employment shall be for a minimum of two (2) years. Guess will have an option to extend the term of your employment for an additional two (2) years; provided, however, that if Guess elects not to exercise the option, Guess will pay you your then monthly salary for up to six (6) months, or until you find suitable employment, whichever

first occurs. In this regard, Guess will provide the services of J.D. Ross International to assist you.

Assuming Guess exercises its option for the third year, and assuming the business plan was achieved in either the first or second year, your base salary for the third and fourth year will be $400,000.00. Assuming, however, the business plan was not achieved in either the first or second year, your base salary in the third year will be $350,000.00. The bonus structure for the third and fourth years will be the same as the bonus structure for the first and second years, depending upon the level of achievement of the mutually agreed upon business plan for the third and fourth year.

If Guess terminates your employment other than for cause at any time during the first two years of your employment, you shall be entitled to the balance of your base salary for the two years. Guess will also pay you up to an additional six months salary or until you find suitable employment, whichever first occurs. Guess will provide the services of J.D. Ross International to assist you in this regard. If Guess terminates your employment other than for cause in the third or fourth year of your employment, you shall be entitled to the balance of your base salary for the remainder of the term.

You will also receive a car allowance of $12,000.00 per year.

If Guess goes public during the term of your employment, you will be eligible to participate in an employee stock option plan at a level commensurate with your executive level of employment.

You will be eligible for health insurance and other benefits provided to other Guess employees at your executive level. Susan Tenney, Director of Personnel, will provide you with a summary and details of these benefit plans.

We look forward to your joining us, and a prosperous future together.

Very truly yours,
Guess ?, Inc.

/s/ MAURICE MARCIANO

MAURICE MARCIANO
Chairman and Chief Executive Officer

Agreed and Accepted

/s/ ANDREA WEISS
- ---
Andrea Weiss

EXHIBIT 10.5

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement"), dated as of May 14, 1996, between GUESS ?, INC., a Delaware corporation (the "Employer"), and FRANCIS K. DUANE (the "Executive").

The Employer wishes to employ the Executive, and the Executive wishes to accept such employment, on the terms and conditions set forth in this Agreement.

Accordingly, the Employer and the Executive hereby agree as follows:

1. EMPLOYMENT, DUTIES AND ACCEPTANCE.

1.1 EMPLOYMENT, DUTIES. Effective as of the Commencement Date (as defined in Section 2), the Executive shall be employed by the Employer during the Term (as defined in Section 2) to render exclusive and full-time services to the Employer, as President of Worldwide Sales-Corporate, reporting to the Chief Executive Officer of the Employer and performing such duties as may be assigned to the Executive by the Chief Executive Officer and/or the Board of Directors of the Employer.

1.2 ACCEPTANCE. The Executive accepts such employment and agrees to render the services described above. During the Term, the Executive agrees to devote the Executive's entire business time, energy and skill to such employment, and to use the Executive's best efforts, skill and ability to promote the Employer's interests, but this shall not be construed as preventing the Executive from (a) investing his personal assets in businesses which do not compete with the Employer in such form or manner as will not require any services on the part of the Executive in the operation or the affairs of the companies in which such investments are made and in which his participation is solely that of an investor, (b) purchasing securities in any corporation whose securities are regularly traded provided that such purchase shall not result in his collectively owning beneficially at any time five percent or more of the equity securities of any corporation engaged in a business competitive to that of the Employer, and (c) participating in conferences, preparing or publishing papers or books or teaching so long as the Board of Directors approves of such activities prior to the Executive's engaging in them. Prior to commencing any activity described in clause (c) above, the Executive shall inform the Board of Directors in writing of such proposed activity.

1.3 PLACE OF EMPLOYMENT. Executive's offices shall be located in New York City. Executive acknowledges that Employer's executive offices are located in Los Angeles and that he will be required to travel to Los Angeles from time to time upon the reasonable request of the Chief Executive Officer and/or the Employer's Board of Directors.

2. TERM OF EMPLOYMENT.

2.1 THE TERM. The term of the Executive's employment under this Agreement shall commence on or about June 1, 1996, but not later than June 15, 1996 (the "Commencement Date") and shall, unless sooner terminated pursuant to Section 4 hereof, end three (3) years from the Commencement Date (the "Term").

3. COMPENSATION; BENEFITS.

3.1 SALARY. As compensation for services to be rendered pursuant to this Agreement, the Employer agrees to pay the Executive, during each year of the Term, a base salary (each a "Base Salary") at the following rates:

Period	Base Salary

First Year	$550,000.00
Second Year	$600,000.00
Third Year	$650,000.00

The Base Salary shall be payable in equal installments, in accordance with the Employer's payroll policy.

3.2 BONUSES. In addition to the amounts to be paid to the Executive pursuant to Section 3.1, the following bonus program shall apply to the Executive with respect to each year of the Term: (a) For the first year of the Term, the Executive shall receive a guaranteed bonus of Two Hundred Fifty Thousand Dollars ($250,000.00) which shall be paid in four equal quarterly payments. The first payment of Sixty-Two Thousand Five Hundred Dollars ($62,500.00) shall be paid upon execution of this Agreement; (b) A target bonus of Three Hundred Thousand Dollars ($300,000.00) shall apply to the second year of the Term. One Hundred Thousand Dollars ($100,000.00) of said target bonus shall be guaranteed. The guaranteed portion shall be paid in four equal quarterly payments; (c) A target bonus of Three Hundred Twenty-Five Thousand Dollars ($325,000.00) shall apply to the third year of the Term. One Hundred Thousand Dollars ($100,000.00) of said target bonus shall be guaranteed. The guaranteed portion of the target bonus shall be paid in four equal quarterly payments; (d) Employer's Chief Executive Officer and Executive shall meet within ninety (90) days of the Commencement Date and mutually agree on target performance goals for the Employer. The mutually-agreed goals will be used to determine the not guaranteed portions of the target bonuses for the second and third years of the Term; (e) Notwithstanding the target performance goals referred to in 3.2(d) Executive shall receive at least fifty percent (50%) of the target bonus applicable to the second and third years of the Term, as set forth in 3.2(b) and 3.2(c), in the event Employer meets the earnings projections of the current Employer Business Plan; (f) For purposes of the target bonus computations referred to in 3.2(e), the June 30, 1998 and June 30, 1999 Employer financials shall be compared with the respective projections (twelve months ended June 30, 1998 or June 30,

1999) in the current Employer Business Plan; (g) Any payments of the not guaranteed portions of the target bonuses shall be paid on or before September 1, 1998 and September 1, 1999, respectively.

3.3 BUSINESS EXPENSES. The Employer shall pay or reimburse the Executive for all reasonable expenses actually incurred or paid by the Executive during the Term in the performance of the Executive's services under this Agreement, upon presentation of expenses statements or vouchers or such other supporting information as the Employer customarily requires of its other executives.

3.4 STOCK OPTIONS.

3.4.1 In the event that an initial public offering of common stock ("IPO") of the Employer occurs during the Term, then Employer shall grant to Executive options (the "Options") to purchase one hundred fifty thousand (150,000) shares of common stock of Employer (the "Stock") comprising options to purchase one hundred thousand shares (100,000) of the Stock at an exercise price of Five Dollars ($5.00) per share and options to purchase fifty thousand (50,000) shares of the Stock at an exercise price of the greater of (i) Fifteen Dollars ($15.00) per share, or (ii) the initial public offering price.

3.4.2 The Executive shall be fully vested in options to purchase fifty thousand (50,000) shares of Stock at Five Dollars ($5.00) per share on the date of the IPO ("First Options"). If an IPO occurs during the second year of the Term, the Executive shall be fully vested in the First Options on the date of the IPO and in options to purchase an additional fifty thousand (50,000) shares of Stock at Five Dollars ($5.00) per share on the last day of the second

year ("Second Options"). If the IPO occurs during the third year of the Term, the Executive shall be fully vested in the First Options and Second Options on the date of the IPO and the Executive shall be fully vested in options to purchase an additional fifty thousand (50,000) shares of Stock at an exercise price of the greater of (i) Fifteen Dollars ($15.00) per share, or (ii) the initial public offering price, at the end of the third completed year of employment ("Third Options"). The Options shall expire and not be exercisable one year following the end of the Term. The Options shall be granted ONLY IF the Employer makes an IPO during the Term of employment. If the number of issued and outstanding shares following an IPO exceeds or is less than sixty million (60,000,000), the parties agree that the number of shares covered by the First, Second and Third Options and the Options' exercise price shall be reduced or increased proportionately. For example, if the number of post IPO issued and outstanding shares is 50,000,000, the total number of shares covered by the Options shall be reduced to 125,000, 41,667 for each of the First, Second and Third Options and the exercise prices will increase to six dollars ($6.00) per share for the First and Second Options and the greater of (i) Eighteen dollars ($18.00) per share, or (ii) the IPO price for the Third Options. Likewise, if the number of post IPO issued and outstanding shares is 70,000,000, the total number of shares covered by the Options shall be increased to 175,000, 58,333 for each of the First, Second and Third Options and the exercise price will decrease to Four Dollars Twenty-Nine cents ($4.29) per

share for the First and Second Options and the greater of (i) Twelve Dollars Eighty-Six Cents ($12.86) or (ii) the IPO price for the Third Options. All of the shares of Stock received by the Executive pursuant to the exercise of any of the Options shall be freely tradeable and not subject to restriction. The Employer shall reserve and keep available out of its authorized but unissued Stock such number of shares of Stock as shall be necessary to fulfill its obligations hereunder.

3.4.3 If an IPO does not occur during the Term, the Options rights shall be replaced with phantom stock rights which are intended to provide the Executive with a cash payment functionally related to the increase in value of the Employer during the Term over and above a base computational value. The base computational value shall equal $1,054,664, which is two and one-half percent (2-1/2%) of the Employer's net earnings as reported on the Employer's Form 10-K for the fiscal year ended December 31, 1995 reduced by a provision for federal income taxes at a thirty-four percent (34%) rate [(.025 x 63,919,000 x .66), the "Base Amount")]. At the end of the Term, two and one-half percent (2-1/2%) of the Employer's similarly computed net earnings reduced by a provision for federal income taxes at a thirty-four percent (34%) rate for the immediate four prior fiscal quarters shall be determined. The Executive shall be entitled to a cash payment (within sixty days from the end of the Term) equal to one-third (1/3) of the increase so computed over the Base Amount for each completed employment year of the Term.

3.4.4 At any time on or after the Commencement Date and prior to an IPO, Executive shall be entitled to receive a cash payment of One Million Dollars ($1,000,000.00). Such payment shall become payable when the Executive gives the Chief Executive Officer a written notice to pay such sum. Payment shall be made within thirty (30) days following delivery of such notice. If the Executive elects to receive such cash payment, the exercise price of the First Options and the Second Options shall become Fifteen Dollars ($15.00) per share subject to adjustment as provided in Paragraph 3.4.2, if applicable.

3.5 VACATION. During the Term, the Executive shall be entitled to a paid vacation period or periods taken in accordance with the vacation policy of the Employer; PROVIDED, that the Executive shall be entitled to not less than four (4) weeks paid vacation for each year of the Term.

3.6 FRINGE BENEFITS. During the Term, the Executive shall be entitled to all benefits for which the Executive shall be eligible under any so-

called "fringe" benefit plan which the Employer provides to its executive officers generally. However, if any time Employer's life insurance, disability insurance and/or medical insurance plans are less advantageous than Executive's current insurance plans, Employer shall at least match Executive's current insurance plan benefits. In addition: (a) Employer shall provide the Executive with the use of an automobile reasonably selected by the Executive and approved by the Employer equivalent to the automobile currently utilized by the Executive. Employer shall pay all reasonable expenses associated with the operation of such automobile including,

without limitation, all reasonable maintenance and insurance expenses; (b) Employer shall reimburse the Executive for all reasonable expenses associated with Executive's membership in the New York Athletic Club or equivalent club.

3.7 WITHHOLDING. All compensation of the Executive by the Employer provided for in this Agreement, whether in the form of cash or "fringe" benefits, shall be subject to such deductions or amounts to be withheld as required by applicable law and regulations.

4. TERMINATION.

4.1 TERMINATION FOR CAUSE. In the event of Executive's plea of nolo contendere or the conviction of the Executive of any felony involving intentional conduct on the part of the Executive, the commission by the Executive of fraud or theft against, or embezzlement from the Employer or any of its subsidiaries or affiliates, the willful misconduct by the Executive in connection with the performance of the Executive's duties hereunder or chronic alcoholism or drug abuse which materially effects Executive's performance hereunder, the Employer may, by written notice to the Executive, terminate the Term (a "Termination for Cause") and, upon such Termination for Cause, the Term shall terminate and the Executive shall be entitled to receive no further amounts or benefits hereunder; PROVIDED, that the Employer shall be obligated to pay to the Executive, within sixty (60) days of the date of termination, all unpaid Base Salary accrued, and provide the Executive with all benefits and expense reimbursement to which the Executive would otherwise be entitled, through and including the date of termination.

4.2 BY REASON OF EXECUTIVE'S DEATH. Upon the death of Executive, the Term of employment shall terminate and Executive's estate shall be entitled to receive all accrued but unpaid Base Salary, bonuses, expenses reimbursements, stock option or phantom stock rights and fringe benefits to which the Executive would otherwise be entitled through and including the date of termination.

4.3 BY REASON OF EXECUTIVE'S PERMANENT DISABILITY. Permanent disability shall occur if Executive is incapacitated or prevented from substantially complying with each and all of his material obligations hereunder whether such incapacity or prevention arises by reason of illness, mental or physical disability, when such incapacity or prevention occurs for sixty (60) or more consecutive days or for an aggregate of ninety (90) days, in any six (6) month period, if at the expiration of the consecutive sixty (60) day period or ninety (90) day period Executive's disability will continue so that he will not be able to return to work on a full-time basis within the next sixty (60) days. If Executive becomes permanently disabled, Employer may terminate the Term of employment upon written notice to Executive (or Executive's personal representative, if applicable), effective upon the date of receipt thereof (the "Disability Commencement Date"). In the event of a termination by Employer by reason of Executive's permanent disability, Executive shall be entitled to receive all accrued but unpaid Base Salary, bonuses, expense reimbursements, stock option or phantom stock

rights and fringe benefits to which Executive would otherwise be entitled through and including the Disability Commencement Date.

4.4 TERMINATION WITHOUT CAUSE. If the Employer terminates this Agreement prior to the term prescribed by Paragraph 2.1 hereof for reasons other than those prescribed by Paragraphs 4.1 through 4.3 hereof, the Executive shall be entitled, subject to his obligation under applicable law, if any, to mitigate his damages, to receive all of compensation provided for herein for the remainder of the Term, including, without limitation, Base Salary, Target Bonuses if target performance goals are met, the Options prescribed by Paragraphs 3.4.1 and 3.4.2 or the benefits prescribed by Paragraph 3.4.3 and the one million dollar (1,000,000.00) cash payment provided for in Paragraph 3.4.4 hereof. Payment of such compensation shall constitute the sole obligation of the Employer resulting from such termination of this Agreement.

5. INTELLECTUAL PROPERTY.

The Employer shall be the exclusive owner of all right, title and interest in and to all the products and proceeds of the Executive's services hereunder, including, but not limited to, all materials, ideas, concepts, formats, suggestions, developments, arrangements, packages, programs and other intellectual properties that the Executive may acquire, obtain, develop or create in connection with and during the term of the Executive's employment by the Employer, free and clear of any claims by the Executive (or anyone claiming under the Executive) of any kind or character whatsoever (other than the Executive's right to receive compensation hereunder). The Executive shall, at the request of the Employer, execute such assignments, certificates or other instruments as the Employer may from time to time deem necessary or desirable to evidence, establish, maintain, perfect, protect, enforce or defend its rights, title or interest in or to any such properties.

6. EMPLOYER'S PROPRIETARY AND CONFIDENTIAL INFORMATION.

6.1 Executive acknowledges that while employed by Employer, he will have access to and will become acquainted with trade secrets and confidential proprietary information and data concerning Employer, including its operations and business, and the identity and requirements of its customers, etc. ("Confidential Information") and agrees that he will not disclose such Confidential Information, directly or indirectly, or use them in any way, either while employed by Employer or subsequent to the termination (regardless of cause) of such employment, except as required to fulfill his duties to Employer; provided, however, that Executive shall have no such obligation with respect to such information as he possessed prior to his employment with Employer or with respect to such information as is or becomes generally available to the public other than as a result of Executive's breach of his obligations hereunder; and provided further that Executive may disclose such Confidential Information to the extent required by a court order.

6.2 Additionally, Executive acknowledges and agrees that during the Term all memorandum, notes and records compiled by Executive or made available to Executive concerning Employer's business are Employer's property and are to be delivered to Employer upon the termination of this Agreement.

6.3 Executive acknowledges and agrees that irreparable damage will result to Employer in the event of a breach by him of paragraphs 5 or 6 of this Agreement. Accordingly, Executive agrees that Employer shall be entitled to enforce its rights under each of said paragraphs, in the event of a breach or threatened breach thereof, in a court of equity, and shall be entitled to seek a decree of specific performance or appropriate injunctive relief. Such remedies shall be cumulative and not exclusive and shall be in addition to any other

rights or remedies available to Employer.

7. NOTICES.

All notices, requests, consents and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, sent by overnight courier or mailed first-class, postage prepaid, by registered or certified mail (notices mailed shall be deemed to have been given on the date mailed) or sent by telecopier, as follows (or to such other address as either party shall designate by notice in writing to the other in accordance herewith):

If to the Employer, to:

Guess ?, Inc.
1444 S. Alameda Street
Los Angeles, CA 90021
Attention: Maurice Marciano

If to the Executive, to:

Francis K. Duane
78 Wiffle Tree Lane
New Caanan, CT 06840

with a copy to:

William J. Wedge, Esq.
68 School Street
Weston, MA 02193

8. REPRESENTATIONS AND WARRANTIES.

8.1 The Executive has the unfettered right to enter into this Agreement on the terms and subject to the conditions hereof, and the Executive has not done or permitted to be done anything which may curtail or impair any of the rights granted to the Employer herein.

8.2 Neither the execution and delivery by the Executive of this Agreement nor the performance by the Executive of any of the Executive's obligations hereunder constitute or will constitute a violation or breach of, or a default under, any agreement, arrangement or understanding to which the Executive is a party or by which the Executive is bound.

8.3 The representations and warranties contained in this Section 8 shall survive the execution and delivery of this Agreement.

9. GENERAL.

9.1 This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely in New York.

9.2 The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

9.3 This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promises of inducement not

so set forth.

9.4 This Agreement, and the Executive's rights and obligations hereunder, may not be assigned by the Executive.

9.5 This Agreement may be amended, modified, superseded, cancelled, renewed or extended and the terms or covenants hereof may be waived, only by a written instrument executed by the parties hereto, or in the case of a waiver, by the party waiving compliance. The failure of a party at any time or times require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by either party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as a further or continuing waiver of any such breach, or a waiver of this breach of any other term or covenant contained in this Agreement.

9.6 The Employer and the Executive agree that except as required by law, they will keep confidential and not disclose to any non-affiliated third party other than the agents and representatives of the Employer and the Executive, the terms and provisions of this Agreement; PROVIDED, that, the Employer may disclose the terms and provisions of this Agreement as required by any federal or state securities laws or the requirements of any national securities exchange or to any of its lenders, investment bankers, accountants, attorneys or advisors.

9.7 Both Employer and Executive have been represented by counsel in connection with the negotiation and preparation of this Agreement. For purposes of interpretation both Employer and Executive shall have been deemed to have drafted this Agreement.

9.8 This Agreement or any amendment hereto may be signed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute an agreement (or amendment as the case may be).

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

GUESS ?, INC.

By: /s/ MAURICE MARCIANO

Maurice Marciano
Chief Executive Officer

/s/ FRANCIS K. DUANE

Francis K. Duane

EXHIBIT 10.19

EIGHTH AMENDMENT TO REVOLVING CREDIT AGREEMENT

THIS EIGHTH AMENDMENT TO REVOLVING CREDIT AGREEMENT (the "Amendment") is made as of this 13th day of February, 1996, by and among GUESS ?, INC. (the "Company"), a Delaware corporation, having its chief executive office at 1444 S. Alameda St., Los Angeles, California, 90021, THE FIRST NATIONAL BANK OF BOSTON ("FNB"), AS AGENT (the "Agent"), with its head office at 100 Federal Street, Boston, Massachusetts 02110 and the Lenders, as defined below.

WHEREAS, the Company and FNB, as Agent and Lender are parties to a Revolving Credit Agreement dated as of December 20, 1993 as amended by a First Amendment to Revolving Credit Agreement dated as of January 20, 1994, by a Second Amendment and Waiver to Revolving Credit Agreement dated as of April 1, 1994, by a Third Amendment and Waiver to the Revolving Credit Agreement dated as of July 18, 1994, by a Fourth Amendment and Waiver to the Revolving Credit Agreement dated as of October 24, 1994, by a Fifth Amendment to Revolving Credit Agreement dated as of February 13, 1995, by a Sixth Amendment to Revolving Credit Agreement dated as of September 14, 1995 and by a Seventh Amendment to Revolving Credit Agreement dated as of December 22, 1995 (collectively the "Credit Agreement") along with SANWA BANK CALIFORNIA ("Sanwa"), AS CO-AGENT AND LENDER, THE INDUSTRIAL BANK OF JAPAN, LIMITED ("Industrial"), AS LENDER, CREDIT LYONNAIS LOS ANGELES BRANCH ("Lyonnais"), AS LENDER and SUMITOMO BANK OF CALIFORNIA ("Sumitomo"), AS LENDER; (collectively with FNB, as Lender, the "Lenders")

WHEREAS, the Company has requested that certain changes to the Credit Agreement be made to reflect the following: (i) the formation of Guess ? Europe, B.V. a corporation organized under the laws of the Netherlands ("Guess Europe") for the purposes of facilitating the distribution of product in Europe in which the Company will hold a 50% interest, (ii) the formation of Newtimes Guess ? Limited. ("Newtimes Guess Parent") a British Virgin Islands corporation in which Guess Europe will hold a 50% interest and in which Indigo Consultants, Ltd (an existing corporation which is neither owned or controlled by the Company or any of its affiliates) will hold a 50% interest and Newtimes Guess? Limited a Hong Kong corporation 100% owned by Newtimes Guess Parent ("Newtimes Guess") (Newtimes Guess Parent and/or Newtimes Guess will act as buying agents for the Company), (iii) the sale of the fixed and a small amount of other assets of Ranche Limited ("Ranche"), the existing buying agent, to Newtimes Guess Parent, Newtimes Guess and Guess Hong Kong and the eventual dissolution, liquidation or merger of Ranche into Guess Europe and (iv) the formation of a new entity as a 100% subsidiary of Guess Europe ("Guess Hong Kong") which will act as a selling agent to certain licensees and related parties of product;

WHEREAS, the Company has represented that neither Guess Hong Kong, Guess Europe Newtimes Guess Parent or Newtimes Guess will own any of the inventory of the

Company and that the letters of credit issued under the Credit Agreement shall not be used to acquire inventory for any of Guess Hong Kong, Guess Europe, Newtimes Guess Parent and Newtimes Guess;

WHEREAS, the Company has requested that Newtimes Guess Parent and Newtimes Guess not be treated as Subsidiaries under the Credit Agreement except to permit certain investments in and loans to Newtimes Guess Parent and Newtimes Guess by the Company; and

WHEREAS, the Company shall continue to guaranty the obligations of Ranche under the Ranche letter of credit facility with FNB (the "Ranche LC Facility") until all of the Obligations of Ranche are fulfilled or the letters of credit

expire undrawn under the Ranche LC Facility.

NOW THEREFORE, for a good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed, the Agent, the Lenders and the Company hereby agree to amend the Credit Agreement as hereinafter provided.

Section 1. DEFINITIONS. Except as otherwise defined herein, the capitalized terms used herein shall have the meanings ascribed to them in the Credit Agreement. The definitions of terms defined herein are hereby incorporated in the Credit Agreement by reference.

Section 2. AMENDMENTS TO THE CREDIT AGREEMENT. From and after the date hereof the Credit Agreement is hereby amended as follows:

2.1. Section 1.1 of the Credit Agreement is hereby amended by adding the following definition:

"NEWTIMES GUESS PARENT. Newtimes Guess ?, Limited, a corporation owned 50% by the Guess? Europe, B.V. and 50% by Indigo Consultants, Ltd."

2.2 Section 1.1 of the Credit Agreement is hereby amended by adding the following definition:

"NEWTIMES GUESS. Newtimes Guess ?, Limited, a corporation owned 100% by the Newtimes Guess Parent."

2.3 Section 1.1 of the Credit Agreement is hereby amended by adding the following to the end of the definition of "Subsidiary".

"Notwithstanding the forgoing, each of Newtimes Guess Parent and Newtimes Guess shall not be a Subsidiary unless Guess Europe, B.V. at anytime owns more than 50% of the shares or ownership interests in Newtimes Guess Parent."

2.4. Section 6.9 (i) of the Credit Agreement is amended to read as follows::

"(i) existing Investments in Subsidiaries and new Investments in Subsidiaries, Newtimes Guess Parent and Newtimes Guess not to exceed $10,000,000 in the aggregate at any one time."

Section 3. CONSENT OF THE LENDERS. The Lenders consent under Section 6.6 of the Credit Agreement to the current sale of the fixed and a small amount of other assets of Ranche to Newtimes Guess Parent, Newtimes Guess and Guess Hong Kong and to the dissolution, liquidation or merger of Ranche not earlier than the payment or expiration of the outstanding letters of credit under the Ranche LC Facility and the transfer of the remaining cash or cash equivalents in Ranche upon such dissolution, liquidation or merger to Guess Europe.

Section 4. CONDITIONS TO THIS AMENDMENT. The agreements of Agent as set forth in this Amendment are subject to the fulfillment of the following conditions:

(a) Receipt by Agent of a fully executed copy of this Eighth Amendment, executed by the Company and the Required Lenders;

(b) Receipt by Agent of evidence that all of the transactions contemplated by this amendment have been completed; provided that the Company may rely on this amendment as being enforceable in undertaking such transactions;

(c) Receipt by the Agent of a duly executed Certificate of

Secretary of the Company certifying as to the incumbency of the officers of the Company and the board of directors resolutions authorizing the execution and delivery of this Amendment and related agreements and such other matters as Agent may required; and

(d) Receipt by the Agent of such other documents, instruments and agreements as Agent may reasonably request in connection herewith or in order to effectuate the matters described herein.

Section 5. GENERAL

5.1. The Company hereby represents and warrants that (i) each of the representations set forth in the Credit Agreement, as amended hereby (other than those which specifically speak as of a date other than the date of this Amendment), is true, correct and complete in all respects on the date hereof, and (ii) no event has occurred and is continuing and no condition exists which constitutes or, with the passage of time or the giving of notice, or both would constitute a Default or an Event of Default under the Credit Agreement as amended hereby.

5.2. The Company hereby represents and warrants that the execution and delivery of this Amendment and all other documents and agreements, now or hereafter entered into or delivered, and all other actions, now or hereafter taken, by the Company in connection with this Amendment are within the corporate power of the Company and have been duly authorized by all necessary corporate action, and no further corporate action is necessary to authorize the execution and delivery of this Amendment and all related documents or to make them, and all of their respective terms and provisions, the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as limited in bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally, and except as the remedy of specific performance or of injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

5.3 This Amendment may be executed in any number of counterparts, each of which when executed and delivered shall be deemed an original, but all of which together shall constitute one instrument. In making proof of this Amendment, it shall not be necessary to account for more than one counterpart hereof signed by each of the parties hereto. Except to the extent specifically amended or supplemented hereby, all of the items, conditions and provisions of the Credit Agreement shall remain unmodified, and the Credit Agreement, as amended and supplemented by this Amendment, is confirmed as being in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this amendment under seal as of the day first above-written by their respective officers, hereunto duly authorized.

Guess ?, Inc.

By: /s/ Roger A. Williams

Title: EVP and CFO

SIGNATURES CONTINUED ON NEXT PAGE

The First National Bank of Boston, as Agent and Lender

By: /s/ DEBRA L. ZURKA

Title: Vice President

Consented to in accordance with Section 9.7 of the Credit Agreement

Sanwa Bank California, as Co-Agent and Lender

By: /s/ NICOLE GARNIER

Title: Vice President

The Industrial Bank of Japan, Limited, as Lender

By: /s/ MASATAKE YASHIRO

Title: General Manager

Credit Lyonnais Los Angeles Branch, as Lender

By: /s/ DAVID L. MILLER

Title: Vice President

Sumitomo Bank of California, as Lender

By: /s/ MATTHEW R. VAN STEENHUYSE

Title: Vice President

GUESS ?, INC.
1996 EQUITY INCENTIVE PLAN

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GUESS ?, INC.
1996 EQUITY INCENTIVE PLAN

1. PURPOSE. The purposes of the Guess ?, Inc. 1996 Equity Incentive Plan (the "PLAN") are to attract, retain and motivate officers and other key employees and consultants of Guess ?, Inc., a Delaware corporation (the "COMPANY"), and its Subsidiaries (as hereinafter defined), to compensate them for their contributions to the growth and profits of the Company and to encourage ownership by them of stock of the Company.

2. DEFINITIONS. For purposes of the Plan, the following terms shall be defined as follows:

"AFFILIATE" and "ASSOCIATE" have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

"AWARD" means an award made pursuant to the terms of the Plan to an Eligible Individual (as hereinafter defined) in the form of Stock Options, Restricted Stock Awards, Performance Share Awards, Performance Units or Stock Appreciation Rights.

"AWARD AGREEMENT" means a written agreement granting an Award, which is executed by the Participant and by an officer on behalf of the Company, and containing such terms and conditions as the Committee deems appropriate and that are not inconsistent with the terms of the Plan.

"BENEFICIAL OWNER" has the meaning ascribed to such term in Rule 13d-3 promulgated under the Exchange Act.

"BOARD" means the Board of Directors of the Company.

A "CHANGE IN CONTROL" of the Company shall be deemed to have occurred when (A) any Person (other than (x) the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any person or entity organized, appointed or established by the Company or any Subsidiary of the Company for or pursuant to the terms of any such plan or (y) Maurice Marciano, Paul Marciano or Armand Marciano, or any trust established in whole or in part for the benefit of one or more of them or their family members, or any other entity controlled by one or more of them), alone or together with its Affiliates and Associates (collectively, an "ACQUIRING PERSON"), shall become the Beneficial Owner of twenty percent (20%) or more of the then outstanding shares of Common Stock or the Combined Voting Power of the Company (except pursuant to an offer for all outstanding shares of Common Stock at a price and upon such terms and conditions as a majority of the Continuing Directors determine to be in the best interests of the Company and its shareholders (other than an Acquiring Person on

whose behalf the offer is being made)), (B) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director who is a representative or nominee of an Acquiring Person) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (collectively, the "CONTINUING DIRECTORS"), cease for any reason to constitute a majority of the Board, (C) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the Surviving Entity (as defined in Section 16 hereof) or any Parent of such Surviving Entity) at least 80% of the Combined Voting Power of the Company, such Surviving Entity or the Parent of such Surviving Entity outstanding immediately after such merger or consolidation, or (D) the shareholders of the Company approve a plan of reorganization (other than a reorganization under the United States Bankruptcy Code) or complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; PROVIDED, HOWEVER, that a change in control shall not be deemed to have occurred in

the event of (x) a sale or conveyance in which the Company continues as a holding company of an entity or entities that conduct all or substantially all of the business or businesses formerly conducted by the Company or (y) any transaction undertaken for the purpose of incorporating the Company under the laws of another jurisdiction, if such transaction does not materially affect the beneficial ownership of the Company's capital stock.

"CODE" means the Internal Revenue Code of 1986, as amended, and the applicable rulings and regulations thereunder.

"COMBINED VOTING POWER" means the combined voting power of the Company's then outstanding voting securities.

"COMMITTEE" means the Compensation Committee of the Board, any successor committee thereto or any other committee appointed by the Board to administer the Plan; PROVIDED that, prior to the establishment of the Compensation Committee of the Board, or the appointment by the Board of any other committee to administer the Plan, "COMMITTEE" means the Board. The Committee shall consist of at least two individuals and shall serve at the pleasure of the Board.

"COMMON STOCK" means the Common Stock, par value $.01 per share, of the Company.

"DISABILITY" means, with respect to any Participant, that, as a result of incapacity due to physical or mental illness, such Participant is, or is reasonably likely to become, unable to perform his or her duties for more than six (6) consecutive months or six (6) months in the aggregate during any twelve (12) month period.

"ELIGIBLE INDIVIDUALS" means the individuals described in Section 7 who are eligible for Awards under the Plan.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, and the applicable rulings and regulations thereunder.

"FAIR MARKET VALUE" means, on any given date, the closing price of the shares of Common Stock, as reported on the New York Stock Exchange for such date or, if Common Stock was not traded on such date, on the next preceding day on which Common Stock was traded; PROVIDED that if the Common Stock is not then traded on the New York Stock Exchange, Fair Market Value means the fair market value thereof as of the relevant date of determination as determined in accordance with a valuation methodology approved by the Committee.

"INCENTIVE STOCK OPTION" means a Stock Option which is an "incentive stock option" within the meaning of Section 422 of the Code and designated by the Committee as an Incentive Stock Option in an Award Agreement.

"NONQUALIFIED STOCK OPTION" means a Stock Option which is not an Incentive Stock Option.

"PARENT" means any corporation which is a "parent corporation" within the meaning of Section 424(e) of the Code with respect to the relevant entity.

"PARTICIPANT" means an Eligible Individual to whom an Award has been granted under the Plan.

"PERFORMANCE SHARE AWARD" means a conditional Award of shares of Common Stock granted to an Eligible Individual pursuant to Section 10

hereof.

"PERFORMANCE UNIT" means a conditional Award to receive all or some portion of the appreciation on shares of Common Stock granted to an Eligible Individual pursuant to Section 11 hereof.

"PERSON" means any person, entity or "group" within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act.

"RESTRICTED STOCK AWARD" means an Award of shares of Common Stock granted to an Eligible Individual pursuant to Section 9 hereof.

"RETIREMENT" means retirement from active employment with the Company and its Subsidiaries on or after the attainment of age 55, or such other retirement date as may be approved by the Committee for purposes of the Plan and specified in the applicable Award Agreement.

"STOCK APPRECIATION RIGHT" means an Award to receive all or some portion of the appreciation on shares of Common Stock granted to an Eligible Individual pursuant to Section 12 hereof.

"STOCK OPTION" means an Award to purchase shares of Common Stock granted to an Eligible Individual pursuant to Section 8 hereof.

"SUBSIDIARY" means (i) any corporation which is a "subsidiary corporation" within the meaning of Section 424(f) of the Code with respect to the Company or (ii) any other corporation or other entity in which the Company, directly or indirectly, has an equity or similar interest and which the Committee designates as a Subsidiary for the purposes of the Plan.

"TEN PERCENT SHAREHOLDER" means an Eligible Individual who, at the time an Incentive Stock Option is to be granted to him or her, owns (within the meaning of Section 422(b)(6) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, or of a Parent or a Subsidiary.

3. ADMINISTRATION OF THE PLAN.

(a) The Plan shall be administered by the Committee, and the Committee shall make the determinations set forth in this subsection 3(a), based on the recommendations of the Company's management; PROVIDED, HOWEVER, that with respect to any Participant the deductibility of whose Award may, in the reasonable belief of the Committee, be subject to the deduction limitation of Section 162(m) of the Code, the Committee shall exercise sole discretion regarding administration of the Plan and the determinations set forth in this subsection 3(a). The Committee shall have full power and authority, subject to the express provisions hereof, (i) to select Participants from the Eligible Individuals, (ii) to make Awards in accordance with the Plan, (iii) to determine the number of Shares subject to each Award or the cash amount payable in connection with an Award, (iv) to determine the terms and conditions of each Award, including, without limitation, those related to vesting, forfeiture, payment and exercisability, and including the authority to amend the terms and conditions of an Award after the granting thereof to a Participant in a manner that is not prejudicial to the

rights of such Participant in such Award, (v) to specify and approve the provisions of the Award Agreements delivered to Participants in connection with their Awards, (vi) to construe and interpret any Award Agreement delivered under the Plan, (vii) to prescribe, amend and rescind rules and procedures relating to the Plan, (viii) to vary the terms of Awards to take account of tax, securities law and other regulatory requirements of foreign jurisdictions and (ix) to make all other determinations and to formulate such procedures as may be necessary or advisable for the administration of the Plan.

(b) The Committee shall have full power and authority, subject to the express provisions hereof, to construe and interpret the Plan.

(c) All determinations by the Committee in carrying out and administering the Plan and in construing and interpreting the Plan shall be final, binding and conclusive for all purposes and upon all persons interested herein.

(d) No member of the Committee shall be liable for anything whatsoever in connection with the administration of the Plan except such person's own willful misconduct. Under no circumstances shall any member of the Committee be liable for any act or omission of any other member of the Committee. In the performance of its functions with respect to the Plan, the Committee shall be entitled to rely upon information and advice furnished by the Company's officers, the Company's accountants, the Company's counsel and any other party the Committee deems necessary, and no member of the Committee shall be liable for any action taken or not taken in reliance upon any such advice.

4. DURATION OF PLAN. The Plan shall remain in effect until terminated by the Board of Directors and thereafter until all Awards granted under the Plan are satisfied by the issuance of shares of Common Stock or the payment of cash or are terminated under the terms of the Plan or under the Award Agreement entered into in connection with the grant thereof. Notwithstanding the foregoing, no Awards may be granted under the Plan after the tenth anniversary of the Effective Date (as defined in Section 18(l)).

5. SHARES OF STOCK SUBJECT TO THE PLAN. Subject to adjustment as provided in Section 15(b) hereof, the number of shares of Common Stock that may be issued under the Plan pursuant to Awards shall not exceed, in the aggregate, 4,500,000 shares. Such shares may be either authorized but unissued shares, treasury shares or any combination thereof. Any shares subject to an Award which lapses, expires or is otherwise terminated without the issuance of such shares may again be available for purposes of the Plan.

6. MAXIMUM NUMBER OF SHARES PER ELIGIBLE INDIVIDUAL. In accordance with the requirements under Section 162(m) of the Code, no Eligible Individual shall receive grants of Stock Options and SARs with respect to an aggregate of more than 500,000 shares of Common Stock in any Plan year.

7. ELIGIBLE INDIVIDUALS. Awards may be granted by the Committee to individuals ("ELIGIBLE INDIVIDUALS") who are officers or other key employees or consultants of the Company or a Subsidiary with the potential to contribute to the future success of the Company or its Subsidiaries. Awards shall not be affected by any change of duties or positions so long as the holder continues to be an employee or consultant of the Company or of a Subsidiary.

8. STOCK OPTIONS. Stock Options granted under the Plan may be in the form of Incentive Stock Options or Nonqualified Stock Options; PROVIDED that only employees may be granted Incentive Stock Options. Stock Options granted under the Plan shall be subject to the following terms and conditions and shall

contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate:

(a) AWARD AGREEMENT. Stock Options shall be evidenced by an Award Agreement in such form and containing such terms and conditions as the Committee deems appropriate and which are not inconsistent with the terms of the Plan.

(b) TERMS OF STOCK OPTIONS GENERALLY. Subject to the terms of the Plan and the applicable Award Agreement, each Stock Option shall entitle the Participant to whom such Stock Option was granted to purchase, upon payment of the relevant exercise price, the number of shares of Common Stock specified in the Award Agreement.

(c) EXERCISE PRICE. The exercise price per share of Common Stock purchasable under a Stock Option shall be determined by the Committee at the time of grant and set forth in the Award Agreement; PROVIDED, HOWEVER, that with respect to Incentive Stock Options, the exercise price shall not be less than one hundred percent (100%) of the Fair Market Value of a share of Common Stock on the date of grant (110% in the case of an Incentive Stock Option granted to a Ten Percent Shareholder). The exercise price for any Stock Options granted concurrently with the initial public offering will be equal to the initial public offering price.

(d) OPTION TERM. The term of each Stock Option shall be fixed by the Committee and set forth in the Award Agreement; PROVIDED, HOWEVER, that a Stock Option shall not be exercisable after the expiration of ten (10) years after the date the Stock Option is granted (five (5) years in the case of an Incentive Stock Option granted to a Ten Percent Shareholder).

(e) EXERCISABILITY. A Stock Option shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee; PROVIDED that a Stock Option shall be freely exercisable within 5 years

after the date on which such Stock Option is granted; PROVIDED FURTHER that notwithstanding any other provision of the Plan, no Stock Option granted prior to August 15, 1996 shall be exercisable during the first six (6) months after the date such Stock Option is granted. In no case may a Stock Option be exercised as to less than 100 shares at any one time (or the remaining shares covered by the Stock Option if less than 100) during the term of the Stock Option. Only whole shares shall be issued pursuant to the exercise of any Stock Option.The Committee may provide that Stock Options shall be exercisable in whole or in part based upon length of service or attainment of specified performance criteria. Subject to the first sentence of this paragraph, the Committee, in its sole discretion, may provide for the acceleration of vesting of a Stock Option, in whole or in part, based on such factors or criteria (including specified performance criteria) as the Committee may determine.

(f) METHOD OF EXERCISE. A Stock Option may be exercised, in whole or in part, by giving written notice of exercise to the Secretary of the Company specifying the number of shares to be purchased, and containing any representations required by the Committee. Such notice shall be accompanied by payment in full of the exercise price either by cash, certified or bank check, or other instrument acceptable to the Committee. As determined by the Committee in its sole discretion, payment of the exercise price may also be made in full or in part by tendering to the Company shares of Common Stock (having a Fair Market Value as of the date of exercise of such Stock Option equal to the exercise price (or such

portion thereof)). Common Stock used to pay the exercise price may be shares that are already owned by the Participant, or the Company may withhold shares of Common Stock that would otherwise have been received by the Participant upon exercise of the Stock Option. In its discretion, in accordance with rules and procedures established by the Committee for this purpose, the Committee may also permit a Participant to exercise an Option through a "cashless exercise" procedure approved by the Committee involving a broker or dealer approved by the Committee, provided that the Participant has delivered an irrevocable notice of exercise (the "NOTICE") to the broker or dealer and such broker or dealer agrees: (A) to sell immediately the number of shares of Common Stock specified in the Notice to be acquired upon exercise of the Option in the ordinary course of its business, (B) to pay promptly to the Company the aggregate exercise price (plus the amount necessary to satisfy any applicable tax liability) and (C) to pay to the Participant the balance of the proceeds of the sale of such shares over the amount determined under clause (B) of this sentence, less applicable commissions and fees; PROVIDED, HOWEVER, that the Committee may modify the provisions of this sentence to the extent necessary to conform the exercise of the Option to Regulation T under the Exchange Act or any other applicable rules. The manner in which the exercise price may be paid may be subject to certain conditions specified by the Committee, including, without limitation, conditions intended to avoid the imposition of liability against the individual under Section 16 of the

Exchange Act. If requested by the Committee, the Participant shall deliver the Award Agreement evidencing an exercised Stock Option to the Secretary of the Company, who shall endorse thereon a notation of such exercise and return such Award Agreement to the Participant exercising the Option. No fractional shares (or cash in lieu thereof) shall be issued upon exercise of a Stock Option and the number of shares that may be purchased upon exercise shall be rounded to the nearest number of whole shares.

(g) RIGHTS AS SHAREHOLDER. A Participant shall have no rights as a shareholder with respect to any shares of Common Stock issuable upon exercise of a Stock Option until a certificate or certificates evidencing the shares of Common Stock shall have been issued to the Participant and, subject to Section 15(b), no adjustment shall be made for dividends or distributions or other rights in respect of any share for which the record date is prior to the date on which the Participant shall become the holder of record thereof.

(h) SPECIAL RULE FOR INCENTIVE STOCK OPTIONS. With respect to Incentive Stock Options granted under the Plan, if the aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the number of shares with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under all plans of the Company or a Parent or Subsidiary exceeds One Hundred Thousand Dollars ($100,000) or such other limit as may be required by the Code, such Incentive Stock Options shall be treated, to the extent of such excess, as Nonqualified Stock Options.

9. RESTRICTED STOCK AWARDS. Restricted Stock Awards granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the Plan, as the Committee shall deem appropriate:

(a) AWARD AGREEMENT. Restricted Stock Awards shall be evidenced by an Award Agreement in such form and containing such restrictions, terms and conditions as the Committee deems appropriate and which are not inconsistent with the terms of the Plan, including, without limitation, restrictions on the sale, assignment, transfer or other disposition of such

shares and provisions requiring that a Participant forfeit such shares upon a termination of employment for specified reasons within a specified period of time.

(b) TERMS OF RESTRICTED STOCK AWARDS GENERALLY. Restricted Stock Awards may be granted under the Plan in such form as the Committee may from time to time approve. Restricted Stock Awards

may be granted for no consideration or such consideration as the Committee deems appropriate. Restricted Stock Awards may be granted alone or in addition to other Awards under the Plan. Subject to the terms of the Plan, the Committee shall determine the number of shares of Common Stock subject to each Restricted Stock Award granted to a Participant, and the Committee may impose different terms and conditions on any particular Restricted Stock Award granted to any Participant. Subject to the following sentence, the Committee, in its sole discretion, may provide for the lapse of restrictions in installments and may waive or accelerate such restrictions in whole or in part, based on such factors or criteria, including specified performance criteria, as the Committee may determine. With respect to Restricted Stock Awards made prior to August 15, 1996, a Participant may not sell, assign, transfer, pledge, encumber or otherwise dispose of shares of Common Stock received under such a Restricted Stock Award during the six-month period commencing on the date of the Award. Upon expiration of any applicable restriction period or lapse of any restrictions, the Participant shall be vested in the Restricted Stock Award, or applicable portion thereof.

(c) EVIDENCE OF OWNERSHIP. Each Participant receiving a Restricted Stock Award shall be issued a certificate or certificates in respect of such shares of Common Stock at the time of grant. Such certificate shall be registered in the name of such Participant, and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Award. The Committee may require that the certificate or certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed, and that, as a condition of any Restricted Stock Award, the Participant shall have delivered a stock power, endorsed in blank, relating to the Common Stock covered by such Award.

(d) RIGHTS AS SHAREHOLDER. Except as otherwise provided by the Committee in its sole discretion, a Participant shall have, with respect to the shares of Common Stock received under a Restricted Stock Award, all of the rights of a shareholder of the Company, including the right to vote the shares and the right to receive any cash dividends. Stock dividends issued with respect to shares covered by a Restricted Stock Award shall be treated as additional shares under the Restricted Stock Award and shall be subject to the same restrictions and other terms and conditions that apply to the shares with respect to which such dividends are issued.

10. PERFORMANCE SHARE AWARDS. Performance Share Awards granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the Plan, as the Committee shall deem appropriate:

(a) AWARD AGREEMENT. Performance Share Awards shall be evidenced by an Award Agreement in such form and containing such terms and conditions as the Committee deems appropriate and which are not inconsistent with the terms of the

Plan. Each Award Agreement shall set forth the number of shares of Common Stock to be received by a Participant upon satisfaction of certain specified performance criteria and subject to such other terms and conditions as the Committee deems appropriate.

(b) TERMS OF PERFORMANCE SHARE AWARDS GENERALLY. Performance Share Awards may be granted under the Plan in such form as the Committee may from time to time approve. Performance Share Awards may be granted for no consideration or such consideration as the Committee deems appropriate. Performance Share Awards may be granted alone or in addition to other Awards under the Plan. Subject to the terms of the Plan, the Committee shall determine the number of shares of Common Stock subject to each Performance Share Award granted to a Participant.

(c) PERFORMANCE GOALS. Performance Share Awards shall provide that, in order for a Participant to be entitled to receive shares of Common Stock under such Award, the Company, a Subsidiary and/or the Participant must achieve certain specified performance goals ("PERFORMANCE GOALS") over a designated performance period ("PERFORMANCE PERIOD"). The Performance Goals and Performance Period shall be established by the Committee in its sole discretion. The Committee shall establish the Performance Goals for each Performance Period before, or as soon as practicable after, the commencement of the Performance Period. In setting Performance Goals, the Committee may use such measures as net earnings, operating earnings or income, absolute and/or relative return on equity or assets, earnings per share, cash flow, pretax profits, earnings growth, revenue growth, comparison to peer companies, any combination of the foregoing, or such other measure or measures of performance, including individual measures of performance, in such manner as it deems appropriate. Prior to the end of a Performance Period, with respect to any Participant the deductibility of whose Performance Award will not, in the reasonable belief of the Committee, be subject to the deduction limitation of Section 162(m) of the Code, the Committee may, in its discretion, adjust the performance objectives to reflect a Change in Capitalization (as hereinafter defined) or any other event which may materially affect the performance of the Company, a Subsidiary or a division, including, but not limited to, market conditions or a significant acquisition or disposition of assets or other property by the Company, a Subsidiary or a division. With respect to any Participant, the deductibility of whose Performance Award may, in the reasonable belief of the Committee, be subject to the deduction limitation of Section 162(m) of the Code, the Committee shall not be entitled to exercise the discretion conferred upon it in the preceding sentence to the extent the existence or exercise of such discretion would result in a loss of tax deductibility under such Section 162(m) of the Code. The extent to which a Participant is entitled to payment of a Performance Share Award at the end of the Performance Period shall be determined by the Committee, in its sole discretion, based on the Committee's

determination of whether the Performance Goals established by the Committee in the granting of such Performance Share Award have been met.

(d) PAYMENT OF AWARDS. Payment in settlement of a Performance Share Award shall be made as soon as practicable following the conclusion of the respective Performance Period, or at such other time as the Committee shall determine, in shares of Common Stock.

(e) RIGHTS AS SHAREHOLDER. Except as otherwise provided by the Committee in the applicable Award Agreement, a Participant shall have no rights as a shareholder with respect to a Performance Share Award until a certificate or certificates evidencing the shares of Common Stock shall have been issued to the Participant following the conclusion of the Performance Period, and, subject to Section 15(b), no adjustment shall be made for dividends or distributions or other rights in respect of any share for which the record date is prior to the date on which the Participant shall become the holder of record thereof.

11. PERFORMANCE UNITS. Awards of Performance Units shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate:

(a) AWARD AGREEMENT. Awards of Performance Units shall be evidenced by an Award Agreement in such form and containing such terms and conditions as the Committee deems appropriate and which are not inconsistent with the terms of the Plan.

(b) TERMS OF PERFORMANCE UNITS GENERALLY. Each Performance Unit shall entitle the Participant to whom such Performance Unit was granted to receive, upon satisfaction of certain specified performance criteria and subject to such other terms and conditions as the Committee deems appropriate, the amount specified in Section 11(d). Performance Units may be granted alone or in addition to other Awards under the Plan.

(c) PERFORMANCE GOALS. Awards of Performance Units shall provide that, in order for a Participant to be entitled to payment under such Award, the Company, a Subsidiary and/or the Participant must achieve certain specified Performance Goals over a designated Performance Period. The Performance Goals and Performance Period shall be established by the Committee in its sole discretion. The Committee shall establish the Performance Goals for each Performance Period before, or as soon as practicable after, the commencement of the Performance Period. In setting Performance Goals, the Committee may use such measures as net earnings, operating earnings or income, absolute and/or relative return on equity or assets, earnings per

share, cash flow, pretax profits, earnings growth, revenue growth, comparison to peer companies, any combination of the foregoing, or such other measure or measures of performance, including individual measures of performance, in such manner as it deems appropriate. Prior to the end of a Performance Period, with respect to any Participant the deductibility of whose Performance Unit Awards will not, in the reasonable belief of the Committee, be subject to Section 162(m) of the Code, the Committee may, in its discretion, adjust the performance objectives to reflect a Change in Capitalization (as hereinafter defined) or any other event which may materially affect the performance of the Company, a Subsidiary or a division, including, but not limited to, market conditions or a significant acquisition or disposition of assets or other property by the Company, a Subsidiary or a division with respect to any Participant, the deductibility of whose Performance Unit Award may, in the reasonable belief of the Committee, be subject to Section 162(m) of the Code, the Committee shall not be entitled to exercise the discretion conferred upon it in the preceding sentence to the extent the existence or exercise of such discretion would result in a loss of tax deductibility under such Section 162(m) of the Code. The extent to which a Participant is entitled to payment of a Performance Unit Award at the end of the Performance Period shall be determined by the Committee, in its sole discretion, based on the Committee's determination of whether the Performance Goals established by

the Committee in the granting of such Performance Unit Award have been met.

(d) PAYMENT OF AWARDS. Payment in settlement of a Performance Unit Award shall be made as soon as practicable following the conclusion of the respective Performance Period, or at such other time as the Committee shall determine, in cash. The amount of any such payment shall be determined by multiplying (i) the difference between the Fair Market Value of one share of Common Stock on the relevant date and the price per share specified for the Performance Unit by (ii) the number of Performance Units. Notwithstanding the foregoing, the Committee may limit in any manner the amount payable with respect to any Performance Unit by including such a limit in the Award Agreement at the time the Performance Unit is granted.

(e) RIGHTS AS SHAREHOLDER. A Participant shall have no rights as a shareholder with respect to an Award of Performance Units.

12. STOCK APPRECIATION RIGHTS. Stock Appreciation Rights granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate.

(a) AWARD AGREEMENT. Stock Appreciation Rights shall be evidenced by an Award Agreement in such form and containing such terms and conditions as the

Committee deems appropriate and which are not inconsistent with the terms of the Plan.

(b) TERMS OF STOCK APPRECIATION RIGHTS GENERALLY. Subject to the terms of the Plan and the applicable Award Agreement, each Stock Appreciation Right shall entitle the Participant to whom such Stock Appreciation Right was granted to receive, upon exercise thereof, the amount specified in Section 12(e). A Stock Appreciation Right may be granted alone or in addition to other Awards, or in tandem with a Stock Option. If granted in tandem with a Stock Option, a Stock Appreciation Right shall cover the same number of shares of Common Stock as covered by the Stock Option (or such lesser number of shares as the Committee may determine).

(c) EXERCISE PRICE. The exercise price per share of Common Stock subject to a Stock Appreciation Right shall be determined by the Committee at the time of grant and set forth in the Award Agreement.

(d) EXERCISE. A Stock Appreciation Right may be exercised by a Participant in accordance with procedures established by the Committee, except that in no event shall a Stock Appreciation Right granted prior to August 15, 1996 be exercisable within the first six (6) months after the date such Stock Appreciation Right is granted, or in the case of a Stock Appreciation Right granted prior to August 15, 1996 and in tandem with a Stock Option, within the first six (6) months after the date of grant of the related Stock Option. A Stock Appreciation Right granted in tandem with a Stock Option shall be exercisable only at such time or times and to the extent the related Stock Option shall be exercisable, and shall have the same term and exercise price as the related Stock Option. A Stock Appreciation Right unrelated to a Stock Option shall contain such terms and conditions as to exercisability (subject to the first sentence of this Section 12(d)) and duration as the Committee shall determine, but in no event shall any such Stock Appreciation Right have a term of greater than ten (10) years. The Committee, in its sole discretion, may provide for the acceleration of vesting of a Stock Appreciation Right, in whole or in part, based on such factors or criteria (including specified performance

criteria) as the Committee may determine. Upon exercise of a Stock Appreciation Right granted in tandem with a Stock Option, the related Stock Option shall be cancelled automatically to the extent of the number of shares covered by such exercise, and such shares shall no longer be available for grant under the Plan. If the related Stock Option is exercised as to some or all of the shares covered by the tandem grant, the related Stock Appreciation Right shall be cancelled automatically to the extent of the number of shares covered by the Stock Option exercise. A Stock Appreciation Right granted in tandem with an Incentive Stock Option may be exercised only when the Fair Market Value of the Common Stock subject to the Incentive Stock Option exceeds the exercise price of such Stock Option.

(e) AMOUNT OF PAYMENT. In the event a Participant exercises a Stock Appreciation Right, such Participant shall be entitled to receive an amount determined by multiplying (a) the difference between the Fair Market Value of one share of Common Stock on the date of exercise and the exercise price per share specified for the Stock Appreciation Right by (b) the number of shares in respect of which the Stock Appreciation Right shall have been exercised. Notwithstanding the foregoing, the Committee may limit in any manner the amount payable with respect to any Stock Appreciation Right by including such a limit in the Award Agreement at the time the Stock Appreciation Right is granted.

(f) FORM OF PAYMENT. Payment upon exercise of a Stock Appreciation Right shall be made in cash, in shares of Common Stock, or some combination thereof, as the Committee shall determine in its sole discretion.

(g) RIGHTS AS SHAREHOLDER. A Participant shall have no rights as a shareholder with respect to any Stock Appreciation Right unless and until a certificate or certificates evidencing shares of Common Stock are issued to the Participant as payment upon exercise of such Stock Appreciation Right, and, subject to Section 15(b), no adjustment shall be made for dividends or distributions or other rights in respect of any share for which the record date is prior to the date on which the Participant shall become the holder of record thereof.

(h) LIMITED STOCK APPRECIATION RIGHTS. The Committee may grant to an Eligible Individual a Stock Appreciation Right (a "LIMITED STOCK APPRECIATION RIGHT") pursuant to which the Participant shall have the right to surrender such Limited Stock Appreciation Right or any portion thereof to the Company within thirty (30) days following a Change in Control and to receive from the Company in exchange therefor a cash payment in an amount equal to (a) the number of shares of Common Stock under the Limited Stock Appreciation Right or portion thereof which is being exercised, multiplied by (b) the excess of (i) the greater of (A) the highest price per share of Common Stock paid in connection with the Change in Control or (B) the highest Fair Market Value per share of Common Stock in the 90 day period preceding such Change in Control, over (ii) the Fair Market Value of a share of Common Stock on the date the Limited Stock Appreciation Right was granted as set forth in the Award Agreement. Limited Stock Appreciation Rights granted under the Plan shall contain such additional terms and conditions, not inconsistent with the Plan, as the Committee deems appropriate.

13. TERMINATION OF EMPLOYMENT.

(a) DISABILITY OR RETIREMENT. Except as may otherwise be provided by the Committee in its sole discretion at the time of grant or subsequent thereto, if a Participant's

employment with the Company and its Subsidiaries terminates by reason of Disability or Retirement, (i) any Stock Option or Stock Appreciation Right held by the Participant may thereafter be exercised, to the extent it was exercisable on the date of termination, for a period (the "EXERCISE PERIOD") of one year from the date of such Disability or Retirement or until the expiration of the stated term of the Stock Option or Stock Appreciation Right, whichever period is shorter, and to the extent not exercisable on the date of termination of employment, such Stock Option or Stock Appreciation Right shall be forfeited; PROVIDED, HOWEVER, that if a Participant terminates employment by reason of Retirement and such Participant holds an Incentive Stock Option, the Exercise Period shall not exceed the shorter of three months from the date of Retirement and the remainder of the stated term of such Incentive Stock Option; PROVIDED FURTHER, HOWEVER, that if the Participant dies during the Exercise Period, any unexercised Stock Option or Stock Appreciation Right held by such Participant may thereafter be exercised to the extent it was exercisable on the date of Disability or Retirement, by the legal representative of the estate or legatee of the Participant under the will of the Participant, for a period of one year from the date of such death or until the expiration of the stated term of such Stock Option or Stock Appreciation Right, whichever period is shorter (or, in the case of an Incentive Stock Option, for a period equal to the remainder of the Exercise Period), and (ii) if such termination is prior to the end of any applicable restriction period (with respect to a Restricted Stock Award) or Performance Period (with respect to a Performance Share Award or a Performance Unit Award), the number of shares of Common Stock subject to such Award which have not been earned or the corresponding Award payment, as the case may be, as of the date of Disability or Retirement shall be forfeited. In determining whether to exercise its discretion under the first sentence of this Section 13(a) with respect to an Incentive Stock Option the Committee may consider the provisions of Section 422 of the Code.

(b) OTHER TERMINATIONS. Unless the Committee determines otherwise in its sole discretion at the time of grant or subsequent thereto, if a Participant's employment with the Company and its Subsidiaries terminates for any reason other than death, Disability or Retirement, (i) any Stock Option or Stock Appreciation Right held by the Participant may thereafter be exercised, to the extent it was exercisable on the date of termination, for a period of sixty (60) days from the date of such termination of employment or until the expiration of the stated term of such Stock Option or Stock Appreciation Right, whichever period is shorter, and to the extent not exercisable on the date of termination of employment, such Stock Option or Stock Appreciation Right shall be forfeited, and (ii) if such termination is prior to the end of any applicable restriction period (with respect to a Restricted Stock Award) or Performance Period (with respect to a Performance Share Award or a Performance Unit Award), the number of shares of Common Stock subject to such Award which have not been earned or the corresponding Award payment, as the case may be, as of the date of such termination of employment shall be forfeited. In determining whether to exercise its discretion under the first sentence of this Section 13(c) with respect to an

Incentive Stock Option, the Committee may consider the provisions of Section 422 of the Code.

14. NON-TRANSFERABILITY. No Award granted under the Plan or any

rights or interests therein shall be sold, transferred, assigned, pledged or otherwise encumbered or disposed of except by will or by the laws of descent and distribution or, except in the case of an Incentive Stock Option, pursuant to a "qualified domestic relations order" ("QDRO") as defined in the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations thereunder; PROVIDED, HOWEVER, that the Committee may, subject to such terms and conditions as the Committee shall specify, permit the transfer of an Award granted after August 15, 1996 that is not an Incentive Stock Option to a Participant's family members or to one or more trusts established in whole or in part for the benefit of one or more of such family members; PROVIDED FURTHER that the restrictions in this sentence shall not apply to the shares received in connection with an Award after the date that the restrictions on transferability of such shares set forth in the applicable Award Agreement have lapsed. During the lifetime of a Participant, a Stock Option or Stock Appreciation Right shall be exercisable only by, and payments in settlement of Awards shall be payable only to, the Participant or, if applicable, the "alternate payee" under a QDRO or the family member or trust to whom such Stock Option, Stock Appreciation Award or other Award has been transferred in accordance with the previous sentence.

15. RECAPITALIZATION OR REORGANIZATION.

(a) The existence of the Plan, the Award Agreements and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the shareholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) Notwithstanding any provision of the Plan or any Award Agreement, in the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, reorganization, merger, consolidation, stock split, combination or exchange of shares (a "CHANGE IN CAPITALIZATION"), (i) such proportionate adjustments as may be necessary (in the form determined by the Committee in its sole discretion) to reflect such change shall be made to prevent dilution or enlargement of the rights of Participants under the Plan with respect to the aggregate number of shares of Common Stock for which Awards in respect thereof may be granted under the Plan, the number of shares of Common Stock

covered by each outstanding Award, and the exercise or Award prices in respect thereof and (ii) the Committee may make such other adjustments, consistent with the foregoing, as it deems appropriate in its sole discretion.

16. CHANGE IN CONTROL. In the event of a Change in Control and except as the Committee (as constituted immediately prior to such Change in Control) may otherwise determine in its sole discretion, (i) all Stock Options or Stock Appreciation Rights then outstanding shall become fully exercisable as of the date of the Change in Control, whether or not then exercisable, (ii) all restrictions and conditions of all Restricted Stock Awards then outstanding shall lapse as of the date of the Change in Control, (iii) all Performance Share Awards and Performance Unit Awards shall be deemed to have been fully earned as of the date of the Change in Control, and (iv) in the case of a Change in Control involving a merger of, or consolidation involving, the Company in which the Company is (A) not the surviving corporation (the "SURVIVING ENTITY") or (B)

becomes a wholly owned subsidiary of the Surviving Entity or any Parent thereof, each outstanding Stock Option granted under the Plan and not exercised (a "PREDECESSOR OPTION") will be converted into an option (a "SUBSTITUTE OPTION") to acquire common stock of the Surviving Entity or its Parent, which Substitute Option will have substantially the same terms and conditions as the Predecessor Option, with appropriate adjustments as to the number and kind of shares and exercise prices. Notwithstanding the preceding sentence, any Award granted prior to August 15, 1996 and within six (6) months of a Change in Control shall not be afforded any such acceleration as to exercise, vesting and payment rights or lapsing as to conditions or restrictions.

17. AMENDMENT OF THE PLAN. The Board or Committee may at any time and from time to time terminate, modify, suspend or amend the Plan in whole or in part, except that no termination, modification, suspension or amendment shall be effective without shareholder approval if such approval is required to comply with Rule 16b-3 under the Exchange Act, Section 162(m) of the Code, or to comply with any other law, regulation or stock exchange rule. No termination, modification, suspension or amendment of the Plan shall, without the consent of a Participant to whom any Awards shall previously have been granted, adversely affect his or her rights under such Awards. Notwithstanding any provision herein to the contrary, the Board or Committee shall have broad authority to amend the Plan or any Stock Option to take into account changes in applicable tax laws, securities laws, accounting rules and other applicable state and federal laws.

18. MISCELLANEOUS.

(a) TAX WITHHOLDING. (i) No later than the date as of which an amount first becomes includable in the gross income of the Participant for applicable income tax purposes with respect to any award under the Plan, the Participant shall pay to the Company or make arrangements satisfactory to the Committee regarding the payment of any federal,

state or local taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Committee, in accordance with rules and procedures established by the Committee, the minimum required withholding obligations may be settled with Common Stock, including Common Stock that is part of the award that gives rise to the withholding requirement. The obligation of the Company under the Plan shall be conditioned upon such payment or arrangements and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant.

(ii) The applicable Award Agreement for an Incentive Stock Option shall provide that if a Participant makes a disposition, within the meaning of Section 424(c) of the Code and the regulations promulgated thereunder, of any share of Common Stock issued to such Participant pursuant to the exercise of an Incentive Stock Option within the two-year period commencing on the day after the date of the grant or within the one-year period commencing on the day after the date of transfer of such share of Common Stock to the Participant pursuant to such exercise, the Participant shall, within ten (10) days of such disposition, notify the Company thereof, by delivery of written notice to the Company at its principal executive office.

(b) LOANS. On such terms and conditions as shall be approved by the Committee, the Company may directly or indirectly lend money to a Participant to accomplish the purposes of the Plan, including to assist such Participant to acquire or carry shares of Common Stock acquired upon the exercise of Stock Options granted hereunder, and the Committee may also separately lend money to any Participant to pay taxes with respect to any of the transactions contemplated by the Plan.

(c) NO RIGHT TO GRANTS OR EMPLOYMENT. No Eligible Individual or Participant shall have any claim or right to receive grants of Awards under the Plan. Nothing in the Plan or in any Award or Award Agreement shall confer upon any employee of the Company or any Subsidiary any right to continued employment with the Company or any Subsidiary, as the case may be, or interfere in any way with the right of the Company or a Subsidiary to terminate the employment of any of its employees at any time, with or without cause.

(d) UNFUNDED PLAN. The Plan is intended to constitute an unfunded plan for incentive compensation. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or payments in lieu thereof with respect to awards hereunder.

(e) OTHER EMPLOYEE BENEFIT PLANS. Payments received by a Participant under any Award made pursuant to the provisions of the Plan shall not be included in, nor have any effect on, the determination of benefits under any other employee benefit plan or similar arrangement provided by the Company.

(f) SECURITIES LAW RESTRICTIONS. The Committee may require each Eligible Individual purchasing or acquiring shares of Common Stock pursuant to a Stock Option or other Award under the Plan to represent to and agree with the Company in writing that such Eligible Individual is acquiring the shares for investment and not with a view to the distribution thereof. All certificates for shares of Common Stock delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, the New York Stock Exchange or any other exchange upon which the Common Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. No shares of Common Stock shall be issued hereunder unless the Company shall have determined that such issuance is in compliance with, or pursuant to an exemption from, all applicable federal and state securities laws.

(g) COMPLIANCE WITH RULE 16B-3. (i) The Plan is intended to comply with Rule 16b-3 under the Exchange Act or its successors under the Exchange Act and the Committee shall interpret and administer the provisions of the Plan or any Award Agreement in a manner consistent therewith. To the extent any provision of the Plan or Award Agreement or any action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee. Moreover, in the event the Plan or an Award Agreement does not include a provision required by Rule 16(b)(3) to be stated therein, such provision (other than one relating to eligibility requirements, or the price and amount of Awards) shall be deemed automatically to be incorporated by reference into the Plan or such Award Agreement insofar as Participants subject to Section 16 of the Exchange Act are concerned.

(ii) Notwithstanding anything contained in the Plan or any Award Agreement to the contrary, if the consummation of any transaction under the Plan would result in the possible imposition of liability on a Participant pursuant to Section 16(b) of the Exchange Act, the Committee shall have the right, in its sole discretion, but shall not be obligated, to defer such transaction to the extent necessary to avoid such liability, but in no event for a period in excess of 180 days.

(h) DEDUCTIBILITY UNDER CODE SECTION 162(M). Awards granted under

the Plan to Eligible Individuals which the Committee reasonably believes may be subject to the deduction limitation of Section 162(m) of the Code shall not be exercisable, and payment under the Plan in connection with such an Award shall not be made, unless and until the

Committee has determined in its sole discretion that such exercise or payment would no longer be subject to the deduction limitation of Section 162(m) of the Code.

(i) AWARD AGREEMENT. Each Eligible Individual receiving an Award under the Plan shall enter into an Award Agreement in a form specified by the Committee agreeing to the terms and conditions of the Award and such other matters as the Committee shall, in its sole discretion, determine. In the event of any conflict or inconsistency between the Plan and any such Award Agreement, the Plan shall govern, and the Award Agreement shall be interpreted to minimize or eliminate any such conflict or inconsistency.

(j) EXPENSES. The costs and expenses of administering the Plan shall be borne by the Company.

(k) APPLICABLE LAW. Except as to matters of federal law, the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to conflicts of law principles.

(l) EFFECTIVE DATE. The Plan shall be effective as of the date (the "EFFECTIVE DATE") the Plan is approved by the Board, PROVIDED that the Plan is approved by the affirmative votes of a majority of shares of Common Stock or by written consent of a majority of shares of Common Stock. Awards granted under the Plan prior to such shareholder approval shall be and are made subject to defeasance by the failure of the shareholders to approve the Plan.

GUESS ?, INC. 1996 NON-EMPLOYEE
DIRECTORS' STOCK OPTION PLAN

1. PURPOSE OF THE PLAN.

The purpose of this Plan is to enable the Company to attract and retain as non-employee directors individuals with superior training, experience and ability and to provide additional incentive to such Eligible Directors by giving them an opportunity to participate in the ownership of the Company.

2. DEFINITIONS.

For purposes of the Plan, the following terms shall be defined as set forth below:

"AFFILIATE" and "ASSOCIATE" have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

"AWARD AGREEMENT" means a written agreement between the Company and the Optionee regarding the grant and exercise of Options to purchase shares of Common Stock and the terms and conditions thereof.

"BENEFICIAL OWNER" has the meaning ascribed to such term in Rule 13d-3 promulgated under the Exchange Act.

"BOARD" means the Board of Directors of the Company.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

"COMBINED VOTING POWER" means the combined voting power of the Company's then outstanding voting securities.

"COMMON STOCK" means the Common Stock of the Company, par value $.01 per share.

"COMPANY" means Guess ?, Inc., a Delaware corporation, including any wholly owned subsidiary or affiliate, or any successor organization.

"DISABILITY" means permanent and total disability within the meaning of Section 22(e)(3) of the Code.

"ELIGIBLE DIRECTOR" means a person who is a member of the Board and who is not an employee of the Company.

"ELIGIBILITY DATE" means the first business day of each of the Company's fiscal years, commencing January 1, 1997, while this Plan is in effect.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FAIR MARKET VALUE" means, on any given date, the closing price of the shares of Common Stock, as reported on the New York Stock Exchange for such date or, if Common Stock was not traded on such date, on the next preceding day on which Common Stock was traded; PROVIDED that if the Common Stock is not then traded on the New York Stock Exchange, Fair Market Value means the fair market value thereof as of the relevant date of determination as determined in accordance with a valuation methodology approved by the Board.

"INCENTIVE STOCK OPTION" means any Option intended to be designated as an "incentive stock option" within the meaning of Section 422 of the Code.

"NONQUALIFIED STOCK OPTION" means any Option that is not an Incentive Stock Option.

"OPTION" means any option to purchase shares of the Common Stock of the Company granted pursuant to this Plan.

"OPTIONEE" means an Eligible Director who receives an Option under the Plan.

"PERSON" means any person or "group" within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act.

"PLAN" means the Guess ?, Inc. Non-Employee Directors' Stock Option Plan, as hereinafter amended from time to time.

"RULES" means the regulations promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, as amended from time to time.

"SUBSIDIARY" means (i) any corporation which is a "subsidiary corporation" within the meaning of Section 424(f) of the Code with respect to the Company or (ii) any other corporation or other entity in which the Company, directly or indirectly, has an equity or similar interest and which the Board designates as a subsidiary for purposes of the Plan.

Except where otherwise indicated by the context, any masculine terminology used herein shall also include the feminine and vice versa, and the definition of any term herein in the singular shall also include the plural and vice versa.

3. SHARES SUBJECT TO THE PLAN.

Except as provided in Section 9, the aggregate number of shares of Common Stock that may be issued under the Plan is 500,000. Such shares may include authorized but unissued shares of Common Stock, treasury shares or a combination of both. In the event the number of shares of Common Stock issued under the Plan and the number of shares of Common Stock subject to outstanding awards equals the maximum number of shares of Common Stock authorized under the Plan, no further awards shall be made unless the Plan is amended (in accordance with the Rules, if necessary) or additional shares of Common Stock become available for further awards under the Plan. If and to the extent that Options granted under the Plan terminate, expire or are canceled without having been exercised, such shares shall again be available for subsequent awards under the Plan.

4. ADMINISTRATION OF THE PLAN.

(a) ADMINISTRATION. The Plan shall be administered by the Board. Subject to the provisions of the Plan, the Board shall be authorized to:

(i) adopt, revise and repeal such administrative rules, guidelines and practices governing this Plan as it shall from time to time deem advisable;

(ii) interpret the terms and provisions of the Plan and any Option issued under the Plan (and any agreements relating thereto), and otherwise settle all claims and disputes arising under the Plan;

(iii) delegate responsibility and authority for the operation and administration of the Plan, appoint employees and officers of the Company to act on its behalf, and employ persons to assist in the fulfilling of its

responsibilities under the Plan; and

(iv) otherwise supervise the administration of the Plan; PROVIDED, HOWEVER, that the Board shall have no discretion with respect to the selection of Eligible Directors to receive Options hereunder, the number of shares of Common Stock covered by such Option or the price or timing of any Options granted hereunder; PROVIDED FURTHER that any action by the Board relating to the Plan will be taken only if approved by the affirmative vote of a majority of the directors who are not then eligible to participate under the Plan.

(b) DELEGATION TO A COMMITTEE. The Board may delegate to a committee of the Board any or all of its authority for administration of the Plan and, if such delegation occurs, all references to the Board in this Plan shall be deemed references to the committee to the extent provided in the resolution establishing the committee.

(c) LOANS TO OPTIONEES. The Board, in its absolute discretion, may provide that the Company loan to Optionees sufficient funds to exercise any Option and/or to pay any withholding due upon exercise of such Option. The Board shall have the authority to make such determinations at any time and shall establish repayment terms, including installments, maturity and interest rates.

5. EFFECTIVE DATE AND TERM OF THE PLAN.

The Plan shall be effective as of the date the Plan is approved by the Board, PROVIDED that the Plan is approved by the affirmative votes of a majority of shares of Common Stock or by written consent of a majority of shares of Common Stock. Options granted under the Plan prior to such shareholder approval shall be and are made subject to defeasance by the failure of the shareholders to approve the Plan. The Plan shall continue in effect until the earlier of (a) ten years from the date of the first grant of Options or (b) the termination of the Plan by action of the Board. No Options shall be granted pursuant to the Plan on or after such termination date, but Options granted prior to such date may extend beyond that date. The Board shall have the right to suspend or terminate the Plan at any time except with respect to any Options then outstanding.

6. OPTION GRANTS.

(a) NUMBER OF OPTIONS GRANTED. The following number of Options are hereby granted to each Eligible Director under the Plan:

(i) With respect to each person who first becomes an Eligible Director on or after the date of the Company's initial public offering of Common Stock, an Option to purchase 10,000 shares of Common Stock is granted as of the date such person first becomes an Eligible Director.

(ii) On each Eligibility Date, with respect to each Eligible Director who has not been an employee of the Company at any time during the 12 months immediately preceding the relevant Eligibility Date, an Option to purchase 3,000 shares of Common Stock is granted to such Eligible Director.

(b) NONQUALIFIED STOCK OPTIONS. All Options granted hereunder shall be Nonqualified Stock Options. No Option granted pursuant to this Plan may be designated as an Incentive Stock Option.

(c) AMENDMENTS TO THIS SECTION 6. Notwithstanding any other provision of the Plan, until August 15, 1996, this Section 6 may not be amended more then once, except

for amendments necessary to conform the Plan to changes in the provisions of, or the regulations relating to, the Code.

7. TERMS AND CONDITIONS OF OPTIONS.

(a) AWARD AGREEMENT. Each Option granted hereunder shall be evidenced by an Award Agreement containing such terms and conditions which are not inconsistent with the terms of the Plan.

(b) OPTION PRICE. The Option price per share of Common Stock covered by an Option granted hereunder shall be 85% of the Fair Market Value of the Common Stock as of the date of grant.

(c) OPTION TERM. The term of each Option shall be ten years. No Option shall be exercised by any person after expiration of the term of the Option.

(d) EXERCISABILITY. Subject to Section 9(b), Options shall become exercisable with respect to one-fourth of the shares of Common Stock covered thereby on each anniversary of the date of grant. In no case may an Option be exercised as to less than 100 shares at any one time (or the remaining shares covered by the Option if less than 100) during the term of the Option. Only whole shares shall be issued pursuant to the exercise of any Option.

(e) METHOD OF EXERCISE. Shares may be purchased or acquired pursuant to an Option granted hereunder by giving written notice of exercise to the Company, specifying the number of shares as to which the Optionee desires to exercise the Option, and containing any representations required by the Board. On or before the date specified for completion of the purchase of shares pursuant to an Option, the Optionee must have paid the Company the full purchase price of such shares in cash, certified or bank check, or other instrument acceptable to the Board. As determined by the Board in its sole discretion, payment in full or in part may also be made by tendering to the Company shares of previously acquired unrestricted Common Stock of the Company (having a Fair Market Value as of the date the Option is exercised equal to the exercise price (or such portion thereof)). Common Stock used to pay the exercise price may be shares that are already owned by the Optionee, or the Company may withhold shares of Common Stock that would otherwise have been received by the Optionee upon exercise of the Option. In its discretion, in accordance with rules and procedures established by the Board for this purpose, the Board may also permit an Optionee to exercise an Option through a "cashless exercise" procedure approved by the Board involving a broker or dealer approved by the Board, provided that the Optionee has delivered an irrevocable notice of exercise (the "NOTICE") to the broker or dealer and such broker or dealer agrees: (A) to sell immediately the number of shares of Common Stock specified in the

Notice to be acquired upon exercise of the Option in the ordinary course of its business, (B) to pay promptly to the Company the aggregate exercise price (plus the amount necessary to satisfy any applicable tax liability) and (C) to pay to the Optionee the balance of the proceeds of the sale of such shares over the amount determined under clause (B) of this sentence, less applicable commissions and fees; PROVIDED, HOWEVER, that the Board may modify the provisions of this sentence to the extent necessary to conform the exercise of the Option to Regulation T under the Exchange Act or any other applicable rules. The manner in which the exercise price may be paid may be subject to certain conditions specified by the Board, including, without limitation, conditions intended to avoid the imposition of liability against the individual under Section 16 of the Exchange Act. If requested by the Board, the Optionee shall deliver the Award Agreement evidencing an exercised Option to the Secretary of the Company, who shall endorse thereon a notation of such exercise and return such Award Agreement to the Optionee exercising the Option. No fractional shares (or cash

in lieu thereof) shall be issued upon exercise of an Option and the number of shares that may be purchased upon exercise shall be rounded to the nearest number of whole shares.

(f) NON-TRANSFERABILITY. No Option granted under the Plan or any rights or interests therein may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of, except by will, or the laws of descent and distribution or pursuant to a "qualified domestic relations order" ("QDRO") as defined in the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations thereunder; PROVIDED, HOWEVER, that the Board may, subject to such terms and conditions as the Board shall specify, permit the transfer of an Option granted after August 15, 1996 to an Optionee's family members or to one or more trusts established in whole or in part for the benefit of one or more of such family members. During the Optionee's lifetime, all Options shall be exercisable only by the Optionee or, if applicable, the "alternate payee" under a QDRO, or the family member or trust to whom such Option has been transferred in accordance with the previous sentence.

(g) TERMINATION BY REASON OF DEATH. In the event of the death of an Optionee, any Option held by such Optionee may thereafter be exercised, to the extent exercisable on the date of death, by the legal representative of the estate or legatee of the Optionee under the will of the Optionee for a period of one year from the date of such death or until the expiration of the stated term of such Option, whichever period is shorter, and to the extent not exercisable on the date of death, such Option shall be forfeited.

(h) TERMINATION BY REASON OF DISABILITY. In the event of the Disability of an Optionee, any Option held by such Optionee may thereafter be exercised by the Optionee, to the extent it was exercisable at the time of such Disability, for a period of one year from the date of such Disability or until the expiration of the stated term of such Option, whichever period is shorter, and to the extent not exercisable on the date of Disability, such Option shall

be forfeited; PROVIDED, HOWEVER, that if the Optionee dies within such one-year period, any unexercised Option held by such Optionee shall thereafter be exercisable to the extent it was exercisable at the time of death for a period of one year from the date of such death or until the expiration of the stated term of such Option, whichever period is shorter.

(i) OTHER TERMINATIONS. If an Optionee ceases to be an Eligible Director for any reason other than death or Disability, any Option held by such Optionee may thereafter be exercised by the Optionee, to the extent it was exercisable at the time of such termination, for a period of six months from the date of such termination or the expiration of the stated term of such Option, whichever period is shorter, and to the extent not exercisable on the date of termination, such Option shall be forfeited; PROVIDED, HOWEVER, that if the Optionee dies within such six-month period, any unexercised Option held by such Optionee shall thereafter be exercisable, to the extent to which it was exercisable at the time of death, for a period of one year from the date of such death or until the expiration of the stated term of the Option, whichever period is shorter.

8. AMENDMENT AND TERMINATION.

The Board may amend, alter, suspend or terminate the Plan in whole or in part at any time and from time to time; PROVIDED, HOWEVER, that, until August 15, 1996, the provisions of the Plan respecting eligibility to participate may not be amended more frequently than once, other than to comport with changes in the Code, or the Employee Retirement Income Security Act of 1974, as amended, and any rules or regulations thereunder; PROVIDED FURTHER that any amendment, alteration, suspension or termination which, under the requirements of applicable federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Common Stock may then be listed or

quoted must be approved by the stockholders of the Company, shall not be effective unless and until such stockholder approval has been obtained in compliance with such law. The Board may amend the terms of any Option theretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any Optionee without the Optionee's consent. Notwithstanding any provision herein to the contrary, the Board shall have broad authority to amend the Plan or any Option to take into account changes in applicable tax laws, securities laws, accounting rules and other applicable state and federal laws.

9. CHANGES IN CAPITAL STRUCTURE.

(a) In the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, reorganization, merger, consolidation, stock split, combination or exchange of shares, (i) such proportionate adjustments as may be necessary (in the form determined by the Board in its sole discretion) to reflect such change shall be made to prevent dilution or enlargement of the rights of Optionees under the Plan with respect to the

aggregate number of shares of Common Stock for which awards in respect thereof may be granted under the Plan, the number of shares of Common Stock covered by each outstanding Option, and the exercise price in respect thereof and (ii) the Board may make such other adjustments, consistent with the foregoing, as it deems appropriate in its sole discretion.

(b) In the event of a change in control of the Company, (i) all outstanding Options granted hereunder shall become fully exercisable as of the date of the Change in Control, whether or not then exercisable, and (ii) in the case of a change in control involving a merger of, and consolidation involving, the Company in which the Company is (A) not the surviving corporation (the "SURVIVING ENTITY") or (B) becomes a wholly owned subsidiary of the Surviving Entity or parent thereof, each outstanding Option granted hereunder and not exercised (a "PREDECESSOR OPTION") shall be converted into an option (a "SUBSTITUTE OPTION") to acquire common stock of the Surviving Entity or its parent, which Substitute Option shall have substantially the same terms and conditions as the Predecessor Option, with appropriate adjustments as to the number and kind of shares and exercise prices. A "change in control" shall be deemed to have occurred when (A) any Person (other than (x) the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any person or entity organized, appointed or established by the Company or any Subsidiary of the Company for or pursuant to the terms of any such plan or (y) Maurice Marciano, Paul Marciano or Armand Marciano, or any trust established in whole or in part for the benefit of one or more of them or their family members, or any other entity controlled by one or more of them), alone or together with its Affiliates and Associates (collectively, an "ACQUIRING PERSON"), shall become the Beneficial Owner of twenty percent (20%) or more of the then outstanding shares of Common Stock or the Combined Voting Power of the Company (except pursuant to an offer for all outstanding shares of Common Stock at a price and upon such terms and conditions as a majority of the Continuing Directors determine to be in the best interests of the Company and its shareholders (other than an Acquiring Person on whose behalf the offer is being made)), (B) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director who is a representative or nominee of an Acquiring Person) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (collectively, the "CONTINUING DIRECTORS"), cease for any reason to constitute a majority of the Board, (C) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the

voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the Surviving Entity or any parent of such Surviving Entity) at least 80% of the Combined Voting Power of the Company, such Surviving Entity or any parent of such Surviving Entity outstanding immediately after such merger or consolidation, or (D) the shareholders of the Company

approve a plan of reorganization (other than a reorganization under the United States Bankruptcy Code) or complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; PROVIDED, HOWEVER, that a change in control shall not be deemed to have occurred in the event of (x) a sale or conveyance in which the Company continues as a holding company of an entity or entities that conduct all or substantially all of the business or businesses formerly conducted by the Company or (y) any transaction undertaken for the purpose of incorporating the Company under the laws of another jurisdiction, if such transaction does not materially affect the beneficial ownership of the Company's capital stock.

10. UNFUNDED STATUS OF THE PLAN.

The Plan is intended to constitute an unfunded plan for incentive compensation. With respect to any payments not yet made to an Optionee by the Company, nothing contained herein shall give any such Optionee any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Board may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or payments in lieu thereof with respect to awards hereunder.

11. GENERAL PROVISIONS.

(a) REPRESENTATIONS BY OPTIONEES. The Board may require each Optionee to represent to and agree with the Company in writing that the Optionee is acquiring the shares of Common Stock without a view to distribution or other disposition thereof. The certificates for such shares may include any legend that the Company deems appropriate to reflect any restrictions on transfer.

(b) NO RESTRICTIONS ON ADOPTION OF OTHER COMPENSATION ARRANGEMENTS. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements (subject to stockholder approval, if such approval is required) and such arrangements may be either generally applicable or applicable only in specific cases.

(c) NO RIGHT TO RE-ELECTION. The adoption of the Plan shall not interfere in any way with the right of the Company to terminate its relationship with any of its directors at any time.

(d) TAX WITHHOLDING. No later than the date as of which an amount first becomes includable in the gross income of the Optionee for applicable income tax purposes with respect to any award under the Plan, the Optionee shall pay to the Company or make arrangements satisfactory to the Board regarding the payment of any federal, state or local taxes of any kind required by law to be withheld with respect to such amount. Unless

otherwise determined by the Board, in accordance with rules and procedures established by the Board, the minimum required withholding obligations may be settled with Common Stock, including Common Stock that is part of the award that gives rise to the withholding requirement. The obligation of the Company under the Plan shall be conditional upon such payment or arrangements and the Company shall, to the extent permitted by law, have the right to deduct any such taxes

from any payment of any kind otherwise due to the Optionee.

(e) ISSUE AND TRANSFER TAXES. The Board may agree to require the Company to pay issuance or transfer taxes on shares issued pursuant to the exercise of an Option under the Plan.

(f) APPLICABLE LAW. The Plan shall be governed by and subject to the laws of the State of Delaware and to all applicable laws and to the approvals by any governmental or regulatory agency as may be required.

(g) SEVERABILITY. If any provision of this Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of this Plan, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been included herein.

(h) COMPLIANCE WITH RULE 16B-3. The Plan is intended to comply with Rule 16b-3 under the Exchange Act or its successors under the Exchange Act and the Board shall interpret and administer the provisions of the Plan or any Award Agreement in a manner consistent therewith. To the extent any provision of the Plan or Award Agreement or any action by the Board fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Board. Moreover, in the event the Plan or an Award Agreement does not include a provision required by Rule 16(b)(3) to be stated therein, such provision (other than one relating to eligibility requirements, or the price and amount of Awards) shall be deemed automatically to be incorporated by reference into the Plan or such Award Agreement.

(i) EXPENSES. All expenses and costs in connection with the administration of the Plan or the issuance of Options hereunder shall be borne by the Company.

(j) HEADINGS. The headings of sections herein are included for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

(k) EFFECTIVE DATE. The Plan shall be effective upon adoption of the Plan by the Board, subject to shareholder approval (the "EFFECTIVE DATE").

GUESS ?, INC.

ANNUAL INCENTIVE BONUS PLAN

Section 1. PURPOSES

The purposes of the Guess ?, Inc. Annual Incentive Bonus Plan (the "Plan") are (i) to provide greater motivation for selected key employees of Guess ?, Inc., a Delaware corporation (the "Company"), and its Subsidiaries (as herein after defined) to attain and maintain the highest standards of performance, (ii) to attract and retain executives of outstanding competence, and (iii) to direct the energies of executives toward the achievement of specific business goals established for the Company and its Subsidiaries.

Section 2. ADMINISTRATION AND INTERPRETATION

(a) The Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board"), which shall consist of not less than two members of the Board.

(b) The Committee is authorized to interpret the Plan and may from time to time adopt such rules and regulations for carrying out the Plan as it may deem necessary or advisable. Decisions of the Committee shall be final, conclusive and binding upon all parties, including, without limitation, the Company and the key employees who participate in the Plan.

Section 3. PARTICIPATION

(a) Participation in the Plan during any year shall be limited to those key employees ("Participants") of the Company and its Subsidiaries who, in the opinion of the Committee, are in a position to have a significant impact on the performance of the Company and who are selected by the Committee; PROVIDED that participation by an employee of a Subsidiary shall be subject to approval of the Plan by such Subsidiary's Board of Directors, which approval shall constitute the Subsidiary's agreement to pay, at the direction of the Committee, awards directly to its employees or to reimburse the Company for the cost of such participation in accordance with rules adopted by the Committee.

(b) Unless otherwise determined by the Committee in its sole discretion, or as provided in a Participant's employment agreement, if a Participant ceases to be employed by the Company and/or its Subsidiaries prior to the end of a year for any reason other than disability (as determined by the Company), retirement at or after age 55, or death, his or her participation in the Plan for such year will terminate forthwith and he or she will not be entitled to any award for such year. If, prior to the end of a year, a Participant's employment ceases because of disability (as determined by the Company), retirement at or after age 55, or

death, or if the effective date of participation by a Participant for any year shall be after January 1 of such year, the Participant shall be entitled to receive only that proportion of the amount, if any, that he or she otherwise would have received under the Plan for the full calendar year which the number of calendar days of his or her participation in the Plan during such year bears to the total number of calendar days in such year.

(c) The term "Subsidiary" shall mean any corporation at least 50% of whose issued and outstanding voting stock is owned, directly or indirectly by the Company.

Section 4. DETERMINATION OF INCENTIVE AWARDS

The Committee may authorize awards to eligible key employees pursuant to either of the following methods:

(a) For each calendar year the Committee may establish one or more specified percentages of base salary ("Target Percentages"), to be used to calculate awards under the Plan if the Company's actual financial performance (in terms of net earnings, operating earnings or income, earnings per share, cash flow, absolute and/or relative return on equity or assets, pre-tax profits, earnings growth, revenue growth, comparison to peer companies, any combination of the foregoing and/or such other appropriate measures of performance, including individual measures of performance, in such manner as the Committee deems appropriate) for the year equals one or more performance goals specified by the Committee. The Committee also may establish a range of adjustments to the Target Percentages, to be used if the Company's actual financial performance differs from the performance goals in specified amounts. Actual financial performance shall be measured by reference to the Company's financial records and the consolidated financial statements of the Company. In determining performance, the Committee in its discretion may direct the adjustments to the performance goals or actual financial performance as reported be made to reflect extraordinary organizational, operational or other changes that have occurred during such year, such as (without limitation) acquisitions, dispositions, expansions, contractions, material non-recurring items of income or loss or events that might create unwarranted hardships or windfalls to Participants. The Committee may also provide that the Chief Executive Officer shall have discretion to increase or decrease the award otherwise payable to a Participant (other than the Chief Executive Officer), based upon their individual performance during the year.

(b) A discretionary bonus in an amount as the Committee in its discretion may determine.

Section 5. AWARDS

(a) For each year, the Committee shall in its sole and absolute discretion (i) determine the Participants who are to be eligible to receive awards under the Plan for such year, (ii) notify such Participant in writing concerning his or her selection for participation in the Plan for such year and (iii) establish the specific performance goals to be used to calculate awards under the Plan for such year.

(b) On or before March 10 of the year subsequent to any Plan year, the Committee shall determine awards to Participants for such Plan year by comparing actual financial performance to the performance goals and the range of percentages adopted by the Committee for such year. If the Committee has not adopted specified goals for the Plan year, the Committee shall meet by March 10 of the year subsequent to the Plan year to determine if discretionary bonuses shall be awarded to Participants. Each award under the Plan shall be paid in cash promptly after the amount of the award has been determined.

(c) No award under this Plan shall be considered as compensation in calculating any insurance, profit-sharing, retirement, or other benefit for which the recipient is eligible unless any such insurance, profit-sharing, retirement or other benefit is granted under a plan which expressly provided that incentive compensation shall be considered as compensation under such plan.

(d) There is no requirement that the maximum amount available for awards in any year be awarded, nor that an award will be granted to any particular Participant for any year. Any portion of any amount available for making awards for any year which shall not have been awarded, shall not carry over or increase the maximum amount of awards payable in any subsequent year.

Section 6. DEATH OF PARTICIPANT

If a Participant dies before or after termination of employment, any unpaid installments of an award shall be paid to his or her legal representatives, either in the installments as originally provided or otherwise as the Committee may determine in each individual case, or, where the Committee has authorized the designation of beneficiaries, to such beneficiaries as may have been designated by the Participant.

Section 7. NON-ASSIGNABILITY AND CONTINGENT NATURE OF RIGHTS

No Participant, no person claiming through him or her, nor any other person shall have any right or interest in the Plan or its continuance, or in the payment of any award under the Plan, unless and until all the provisions of the Plan, the rules adopted thereunder,

and restrictions and limitations on the award itself have been fully complied with. No rights under the Plan, contingent or otherwise, shall be transferable, assignable or subject to any pledge or encumbrance of any nature.

Section 8. SOURCE OF PAYMENTS

The Company shall not have any obligation to establish any separate fund or trust or other segregation of assets to provide for payments under the Plan. To the extent any person acquires any rights to receive payments hereunder from the Company, such rights shall be no greater than those of an unsecured creditor.

Section 9. TAX WITHHOLDING

The Company or a Subsidiary thereof, as appropriate, shall have the right to deduct from all payments made under the Plan to a Participant or to a Participant's beneficiary or beneficiaries any Federal, state or local taxes required by law to be withheld with respect to such payments.

Section 10. TERMINATION AND AMENDMENT

The Board may at any time terminate or from time to time modify or suspend, in whole or in part, and if suspended, may reinstate, any or all of the provisions of the Plan in such respects as the Board may deem advisable, PROVIDED that no such termination or modification shall impair any rights which have accrued under the Plan.

Section 11. NO RESTRICTION ON RIGHT TO EFFECT CHANGES

The Plan shall not affect in any way the right or power of the Company or its stockholders to make or authorize any sale of all or any portion of the assets of the Company or any Subsidiary, any merger or consolidation of the Company or any Subsidiary, a reorganization, dissolution or liquidation of the Company or any Subsidiary, or any other event or series of events, whether of a similar character or otherwise.

Section 12. HEADINGS

The headings of sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

Section 13. GOVERNING LAW

This Plan shall be governed by and construed in accordance with the laws of the State of California.

Section 14. NO CONTRACT OF EMPLOYMENT OR RIGHT TO AWARDS

Nothing contained herein shall be construed as a contract of employment between the Company and any Participant, or as giving a right to any person to be granted awards under the Plan or to continue in the employment of the Company or any of its Subsidiaries, or as limiting the right of the Company or any of its Subsidiaries to discharge any Participant at any time, with or without cause.

Section 15. EFFECTIVE DATE

The Plan shall be effective as of the date of its adoption by the Board of Directors.

EXHIBIT 10.24

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, made as of _____, 1996, by and between Guess ?, Inc., a Delaware corporation (herein referred to as the "COMPANY"), and Maurice Marciano (herein referred to as the "EXECUTIVE").

W I T N E S S E T H:

WHEREAS, the Company intends to make an underwritten initial public offering of its common stock (the "PUBLIC OFFERING"); and

WHEREAS, in connection with the Public Offering, the Company and Executive deem it to be in their respective best interests to enter into an agreement providing for the Company's employment of Executive pursuant to the terms herein stated;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto hereby agree as follows:

1. EMPLOYMENT; POSITION AND DUTIES; EXCLUSIVE SERVICES.

(a) EMPLOYMENT. The Company agrees to employ the Executive, and the Executive agrees to be employed by the Company, for the Term provided in Section 2 below and upon the other terms and conditions hereinafter provided.

(b) POSITION AND DUTIES. During the Term, the Executive (i) agrees to serve as the Chairman of the Board and Chief Executive Officer of the Company and to perform such reasonable duties as may be delineated in the By-Laws of the Company and as may be assigned to him from time to time by the Board of Directors of the Company (the "BOARD"), including, without limitation, primary responsibility for all design and finance functions of the Company, (ii) shall report, as Chief Executive Officer of the Company, only to the Board, (iii) shall be given such authority as is appropriate to carry out the duties described above, it being understood that, in his capacities as Chairman of the Board and Chief Executive Officer of the Company, his duties will be consistent in scope, prestige and authority with the duties of Chairman of the Board and Chief Executive Officer of the Company as demonstrated by the Company's existing practices as of the effective date of this Agreement, and (v) agrees to serve, if elected, at no additional compensation (if the other officers or directors (other than non-employee directors) of the Company also serve at no additional compensation) in the position of officer or director of any subsidiary or affiliate of the Company; PROVIDED, HOWEVER, that such position shall be of no less status relative to such subsidiary or affiliate as the position that the Executive holds pursuant to clause (i) of this Section 1(b) is relative to the Company.

(c) EXCLUSIVE SERVICES. During the Term, the Executive agrees to devote substantially all of his business time, attention, skill and efforts exclusively to the business and affairs of the Company and its subsidiaries and affiliates, and shall perform and discharge the duties which may be assigned to him from time to time by the Board.

(d) RELOCATION. The Company shall not relocate the Executive's principal place of business outside of the Los Angeles metropolitan area without the written consent of the Executive.

2. TERM OF AGREEMENT. The term of employment under this Agreement shall initially be the three-year period commencing on the date of the Public Offering (the "EFFECTIVE DATE") and ending on the third anniversary of the

Effective Date, and shall be automatically extended without further action by either party for a successive or successive one-year period or periods, unless written notice of either party's intention to terminate this Agreement has been given to the other party at least 90 days prior to the expiration of the Term (including any one-year extension thereof). As used in this Agreement, the "TERM" shall mean the initial three-year term plus any extensions thereof as provided in this Section 2.

3. SALARY AND ANNUAL BONUS. The Executive's cash compensation for all services to be rendered by him in any capacity hereunder shall consist of base salary as provided in Section 3(a) and bonus compensation as provided in Section 3(b).

(a) SALARY. The Executive shall be paid a minimum base salary (the "SALARY") at the rate of $900,000 per annum. The Salary shall be payable in accordance with the customary payroll practices for executives of the Company. The amount of Executive's Salary will be reviewed not less often than annually by the Compensation Committee of the Board (the "COMPENSATION COMMITTEE") and may be increased, but not decreased below such amount, on the basis of such review.

(b) ANNUAL BONUS.

(i) GENERAL TERMS. For each calendar year included in whole or in part within the Term, the Executive shall be eligible to earn an annual cash bonus (a "BONUS") based upon the achievement by the Company and its subsidiaries of performance targets established by the Compensation Committee in accordance with the terms of the Company's Annual Incentive Bonus Plan and any successor plan thereto (collectively, the "BONUS PLAN"). The performance goals on the basis of which the Executive's bonus shall be determined shall be no less favorable to the Executive than the goals used to determine the bonus of any other executive of the Company whose annual bonus is based in whole or in part on corporate performance and who participates in the Bonus Plan, and the Compensation Committee shall establish objective criteria to be used to determine the extent to which such performance goals have been met. The Bonus, if any, payable to the Executive in respect of each calendar year will be paid at the same time that bonuses are paid to other participants in the Bonus Plan.

(ii) AMOUNT OF TARGET BONUS. For each calendar year included in whole or in part within the Term, there shall be a target Bonus (a "TARGET BONUS") for the Executive

equal to at least 100% of Executive's Salary, at the annual rate in effect at the beginning of such calendar year (pro rated, if less than an entire year).

(iii) DETERMINATION OF THE BONUS AMOUNT. The amount of the actual Bonus for any calendar year to be paid to the Executive will be determined, in the sole discretion of the Compensation Committee, based upon the performance of the Company and its subsidiaries against the goals established by the Compensation Committee pursuant to the Bonus Plan.

4. STOCK OPTIONS. Commencing as of the Effective Date, Executive shall be eligible for option grants under the Company's 1996 Equity Incentive Plan and any successor plan thereto for the Company's executive officers, in accordance with the terms and conditions thereof.

5. PENSION AND WELFARE BENEFITS. During the Term, the Executive will participate in all pension and welfare plans, programs and benefits that are applicable to executives of the Company. The benefits provided to the Executive during the Term, when taken as a whole, shall be no less favorable than the benefits which, when taken as a whole, are provided to any other executive of the Company; PROVIDED that Executive shall continue to receive life insurance coverage in an amount equal to at least one (1) times his then Salary. During the Term, the Executive shall also be entitled to all additional perquisites which the Company provides to its executives. Subject to subsection 7(a)(i)

hereof, from and after the expiration of the Term or, if earlier, the date of termination of Executive's employment hereunder, Executive shall be entitled, during his lifetime, to full Company-paid health and life insurance for himself and his immediate family, at a level no less favorable than that in effect from time to time for the benefit of the Company's senior executive officers.

6. OTHER BENEFITS.

(a) TRAVEL AND BUSINESS-RELATED EXPENSES. During the Term, the Executive shall be reimbursed in accordance with the policies of the Company for traveling and other expenses incurred in the performance of the business of the Company.

(b) AUTOMOBILE. During the Term, the Executive shall be furnished with an automobile either owned or leased by the Company or an automobile allowance, at the discretion of the Company. The Company shall pay or reimburse the Executive for all reasonable expenses associated with the operation of such automobile, including, without limitation, all reasonable maintenance and insurance expenses.

(c) AIRCRAFT. The Executive shall be provided with reasonable access to any aircraft leased or owned by the Company.

(d) COUNTRY CLUB MEMBERSHIP. During the Term, the Company shall pay the Executive's reasonable membership expenses (including fees, dues and related expenses) at such country club or clubs as approved by the Board.

(e) CONSULTING AGREEMENT. Commencing on the expiration of the Term of this Agreement or, if earlier, the date of termination of Executive's employment hereunder for any reason other than death or for Cause (as defined below), and subject to the provisions of Sections 8 and 9 hereof, the Company and Executive shall enter into a two (2) year consulting agreement pursuant to which Executive shall render consulting services to the Company as Executive and the Company shall agree, for which the Company shall pay Executive a consulting fee at an annual rate equal to 50% of Executive's Salary, at the rate in effect immediately prior to the commencement of the consulting period, payable in accordance with the customary payroll practices for executives of the Company or at such other time or times as Executive and the Company shall agree. It is expressly understood that Executive's reporting obligations pursuant to such consulting agreement shall be limited to the Board, or such other person as Executive and the Company shall agree.

7. TERMINATION OF EMPLOYMENT.

(a) TERMINATION FOR CAUSE, RESIGNATION WITHOUT GOOD REASON.

(i) If the Executive's employment is terminated by the Company for Cause (as defined below) or if the Executive resigns from his employment without Good Reason (as defined below), prior to the expiration of the Term, the Executive shall be entitled to receive: (A) the Salary provided for in Section 3(a) as accrued through the date of such resignation or termination; (B) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination or resignation occurs; and (C) any unreimbursed expenses. The Executive shall not accrue or otherwise be eligible to receive Salary payments or to participate in any plans, programs or benefits described in Section 5 hereof with respect to periods after the date of such termination or resignation, and shall not be eligible to receive any Bonus in respect of the year of such termination or resignation or any calendar year following the year in which such termination or resignation occurs. Any Bonus in respect of a year prior to the year in which such termination or resignation occurs shall be payable at such time and in such manner as provided for in Section 3(b) hereof.

(ii) Termination for "CAUSE" shall mean termination by action of the Board because of: (A) Executive's willful and continued failure (other than by reason of the incapacity of Executive due to physical or mental illness)

substantially to perform his duties hereunder; (B) a felony conviction of the Executive or the perpetration by the Executive of a serious dishonest act against the Company or any of its affiliates or subsidiaries; (C) any willful misconduct by the Executive that is materially injurious to the financial condition or business reputation of the Company or any of its affiliates or subsidiaries; or (D) chronic alcoholism or drug abuse which materially affects Executive's performance hereunder, PROVIDED, HOWEVER, that no event or circumstance shall be considered to constitute Cause within the meaning of this clause (ii) unless the Executive has been given written notice of the events or circumstances constituting Cause and has failed to effect a cure thereof within 60 calendar days following the receipt of such notice.

(iii) Resignation for "GOOD REASON" shall mean the resignation of the Executive because of (A) a material reduction in Executive's responsibilities, duties, authority, status or titles as described in Section 1 above; or (B) failure by the Company to pay or provide Executive when due any compensation, benefits or perquisites to which Executive is entitled pursuant to this Agreement or any other plan, contract or arrangement in which Executive participates or is entitled to participate; PROVIDED, HOWEVER, that no event or circumstance shall be considered to constitute Good Reason within the meaning of this clause (iii) unless the Company has been given written notice of the events or circumstances constituting Good Reason and has failed to effect a cure thereof within 60 calendar days following the receipt of such notice.

(iv) The date of termination of employment by the Company pursuant to this Section 7(a) shall be the date specified in a written notice of termination from the Company to the Executive, which, in the case of a proposed termination to which the 60-day cure period provided for in subsection (ii) above applies shall be no less than 61 days after the delivery of such notice to the Executive. The date of a resignation by the Executive pursuant to this Section 7(a) shall be the date specified in the written notice of resignation from the Executive to the Company, which, in the case of a proposed resignation to which the 60-day cure period provided for in subsection (iii) above applies shall be no less than 61 days after the delivery of such notice to the Company, or, if no date is specified therein, 61 days after receipt by the Company of the written notice of resignation from the Executive.

(b) TERMINATION WITHOUT CAUSE, RESIGNATION FOR GOOD REASON.

(i) If the Executive's employment is terminated by the Company without Cause or if the Executive should resign for Good Reason, prior to the expiration of the Term, he shall be entitled to receive: (A) the Salary provided for in Section 3(a) as accrued through the date of such resignation or termination and continuing for the remainder of the then-effective Term (the "CONTINUATION PERIOD"); (B) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination or resignation occurs; (C) any unreimbursed expenses and (D) a Bonus for the calendar year in which such termination or resignation occurs equal to the Executive's Target Bonus for such year and a Bonus for each subsequent year included in whole or in part within the Continuation Period equal to the Target Bonus for the calendar year in which such termination or resignation occurs, PROVIDED, HOWEVER, that the amount of such Bonus payable in respect of any partial calendar year at the conclusion of the Continuation Period shall be prorated and shall equal the Executive's Bonus for such year multiplied by a fraction, the numerator of which shall equal the number of days in such calendar year up to and including the last day of the Continuation Period and the denominator of which shall equal the lesser of 365 or the number of days in such final calendar year up to and including the last day of the Term.

During the Continuation Period, (X) Salary payments to the Executive shall be payable in accordance with the payroll practices of the Company, and (Y) Bonus payments

shall be made in respect of each calendar year at the same time that bonuses are paid to participants in the Bonus Plan.

The Executive shall also be entitled to continued participation in the medical, dental and insurance plans and arrangements described in Section 5, on the same terms and conditions as are in effect immediately prior to such termination or resignation, until the earlier to occur of (i) the last day of the Continuation Period and (ii) such time as Executive is entitled to comparable benefits provided by a subsequent employer. Anything herein to the contrary notwithstanding, the Company shall have no obligation to continue to maintain during the Continuation Period any plan or program solely as a result of the provisions of this Agreement. If, during the Continuation Period, Executive is precluded from participating in a plan or program by its terms or applicable law or if the Company for any reason ceases to maintain such plan or program, the Company shall provide Executive with compensation or benefits the aggregate value of which, in the reasonable judgement of the Company, is no less than the aggregate value of the compensation or benefits that Executive would have received under such plan or program had he been eligible to participate therein or had such plan or program continued to be maintained by the Company.

(ii) Except as may be provided under the terms of any applicable grants to the Executive, under any plan or arrangement in which the Executive participates under Section 5 or except as may be otherwise required by applicable law, including, without limitation, the provisions of Section 4980B(f) of the Internal Revenue Code of 1986, as amended (the "CODE"), the Executive shall have no right under this Agreement or any other agreement to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation of employment. Except as otherwise provided in Section 9(d), in the event of a termination or resignation pursuant to this Section 7(b), the Executive shall have no duty of mitigation with respect to amounts payable to him pursuant to this Section 7(b) or other benefits to which he is entitled pursuant hereto; PROVIDED, HOWEVER, that, in the event the Executive breaches any of the provisions of Sections 8 or 9 hereof, the amounts payable to the Executive pursuant to this Section 7(b), or other benefits to which he is entitled pursuant hereto, will be offset or reduced by any compensation, payments or benefits he may receive from a subsequent employer.

(iii) The date of termination of employment by the Company pursuant to this Section 7(b) shall be the date specified in the written notice of termination from the Company to the Executive or, if no date is specified therein, ten business days after receipt by the Executive of the written notice of termination from the Company. The date of a resignation by the Executive pursuant to this Section 7(b) shall be the date specified in the written notice of resignation from the Executive to the Company or, if no date is specified therein, ten business days after receipt by the Company of the written notice of resignation from the Executive.

(c) DEATH OR PERMANENT DISABILITY. If the Executive's employment hereunder terminates by reason of Executive's death or Permanent Disability prior to expiration of the Term, the Executive (or his beneficiary (or if no such beneficiary is designated, his estate), conservator or guardian, as the case may be) shall be entitled to receive: (i) the Salary provided for in Section 3(a) as accrued through the date of the Executive's death or Permanent Disability; (ii) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which the Executive's death or Permanent Disability occurs; (iii) a Bonus for the calendar year in which the Executive's death or Permanent Disability occurs equal to a pro rata portion of the Executive's Target Bonus for such year, determined on the basis of the number of days in such year through the date of Executive's death or Permanent Disability; and (iv) any unreimbursed expenses. Bonus payments provided for in this Section 7(c) shall be made at such time and in such manner as is provided in Section 3(b). As used in this Section, the term "BENEFICIARY" includes both the

singular and the plural of such term, as may be appropriate. For purposes of this Agreement, "PERMANENT DISABILITY" shall be defined in the same manner as such term or a similar term is defined in any long-term disability policy maintained by the Company for the Executive and in effect on the date of the Executive's termination of employment with the Company, PROVIDED that, in the event that the Company does not maintain a long-term disability policy for the Executive, Permanent Disability shall mean a physical or mental incapacity that substantially prevents him from performing his duties hereunder for a period of 6 consecutive months and that can reasonably be expected to continue indefinitely. Any dispute as to whether or not Executive is disabled within the meaning of the preceding sentence shall be resolved by a physician reasonably satisfactory to Executive and the Company, and the determination of such physician shall be final and binding upon both Executive and the Company.

8. ASSIGNMENT OF INTELLECTUAL PROPERTY RIGHTS.

(a) DEFINITION OF "INVENTIONS". As used herein, the term "INVENTIONS" shall mean all inventions, discoveries, improvements, trade secrets, formulas, techniques, data, programs, systems, specifications, documentations, algorithms, flow charts, logic diagrams, source codes, processes, and other information, including works-in-progress, whether or not subject to patent, trademark, copyright, trade secret, or mask work protection, and whether or not reduced to practice, which are made, created, authored, conceived, or reduced to practice by Executive, either alone or jointly with others, during the period of employment with the Company (including, without limitation, all periods of employment with the Company prior to the Effective Date), whether or not performed on the Company's premises or property, which (A) relate to the actual or anticipated business, activities, research, or investigations of the Company or (B) result from or is suggested by work performed by Executive for the Company (whether or not made or conceived during normal working hours or on the premises of the Company), or (C) which result, to any extent, from use of the Company's premises or property.

(b) WORK FOR HIRE. Executive expressly acknowledges that all copyrightable aspects of the Inventions (as defined above) are to be considered "works made for hire" within the meaning of the Copyright Act of 1976, as amended (the "ACT"), and that the Company is to be the "author" within the meaning of such Act for all purposes. All such copyrightable works, as well as all copies of such works in whatever medium, fixed or embodied, shall be owned exclusively by the Company as of the date of creation, and Executive hereby expressly disclaims any and all interest in any of such copyrightable works and waives any right of DROIT MORALE or similar rights.

(c) ASSIGNMENT. Executive acknowledges and agrees that all Inventions constitute trade secrets of the Company and shall be the sole property of the Company or any other entity designated by the Company. In the event that title to any or all of the Inventions, or any part or element thereof, may not, by operation of law, vest in the Company, or such Inventions may be found as a matter of law not to be "works made for hire" within the meaning of the Act, Executive hereby conveys and irrevocably assigns to the Company, without further consideration, all his right, title and interest, throughout the universe and in perpetuity, in all Inventions and all copies of them, in whatever medium, fixed or embodied, and in all written or computer records, graphics, diagrams, notes, or reports relating thereto in Executive's possession or under his control, including, with respect to any of the foregoing, all rights of copyright, patent, trademark, trade secret, mask work, and any and all other proprietary rights therein, the right to modify and create derivative works, the right to invoke the benefit of any priority under any international convention, and all rights to register and renew the same. Anything to the contrary notwithstanding, this subsection (c) shall not require Executive to assign any Invention that would cause this Section 8, or any portion thereof, to be void or unenforceable under Section 2870 of the California Labor Code, and Executive acknowledges receipt of the notification required by Section 2872 of the California Labor Code.

(d) PROPRIETARY NOTICES; NO FILINGS; WAIVER OF MORAL RIGHTS. Executive acknowledges that all Inventions shall, at the sole option of the Company, bear the Company's patent, copyright, trademark, trade secret and mask work notices.

Executive agrees not to file any patent, copyright or trademark applications relating to any Invention except with prior written consent of an authorized representative of the Company (other than Executive).

Executive hereby expressly disclaims any and all interest in any Inventions and waives any right of DROIT MORALE or similar rights, such as rights of integrity or the right to be attributed as the creator of the Invention.

(e) FURTHER ASSURANCES. Executive agrees to assist the Company, or any party designated by the Company, promptly on the Company's request, whether before or after the termination of employment, however such termination may occur, in perfecting, registering, maintaining, and enforcing, in all jurisdictions, the Company's rights in the

Inventions by performing all acts and executing all documents and instruments deemed necessary or convenient by the Company, including, by way of illustration and not limitation:

(i) Executing assignments, applications, and other documents and instruments in connection with (A) obtaining patents, copyrights, trademarks, mask works, or other proprietary protections for the Inventions and (B) confirming the assignment to the Company of all right, title and interest in the Inventions or otherwise establishing the Company's exclusive ownership rights therein.

(ii) Cooperating in the prosecution of patent, copyright, trademark and mask work applications, as well as in the enforcement of the Company's rights in the Inventions, including, but not limited to, testifying in court or before any patent, copyright, trademark or mask work registry office or any other administrative body.

Executive will be reimbursed for all out-of-pocket costs reasonably incurred in connection with the foregoing, if such assistance is requested by the Company after the termination of Executive's employment. In addition, to the extent that, after the termination of employment for whatever reason, Executive's technical expertise shall be required in connection with the fulfillment of the aforementioned obligations, the Company will compensate Executive at a reasonable rate for the time actually spent by Executive at the Company's request rendering such assistance.

(f) POWER OF ATTORNEY. Executive hereby irrevocably appoints the Company to be his Attorney-in-Fact to execute any document and to take any action in his name and on his behalf and to generally use his name for the purpose of giving to the Company the full benefit of the assignment provisions set forth above.

(g) DISCLOSURE OF INVENTIONS. Executive will make full and prompt disclosure to the Company of all Inventions subject to assignment to the Company, and all information relating thereto in Executive's possession or under his control as to possible applications and use thereof.

9. NO COMPETING EMPLOYMENT; NO INTERFERENCE; CONFIDENTIALITY; REMEDIES.

(a) NO COMPETING EMPLOYMENT. For so long as the Executive is employed by the Company or any of its affiliates and subsidiaries and continuing for the two-year period commencing at the expiration of the Term hereof or the earlier termination of Executive's employment for any reason other than death (such period being referred to hereinafter as the "RESTRICTED PERIOD"), the

Executive shall not, unless he receives after the Effective Date the prior written consent of the Board, directly or indirectly, whether as owner, consultant, employee, partner, venturer, agent, through stock ownership, investment of capital, lending of money or property, rendering of services, or otherwise, compete with the Company or any of its affiliates or subsidiaries in any business in which any of them is

engaged during the Term hereunder or at the time of the termination of the Executive's employment hereunder, including without limitation the design, manufacture and/or distribution of men's or women's sportswear or accessories (such businesses are hereinafter referred to as the "BUSINESS"), or assist, become interested in or be connected with any corporation, firm, partnership, joint venture, sole proprietorship or other entity which so competes with the Business, except that the provisions of this Section 9(a) will not be deemed breached merely because Executive owns equity in (i) Charles David of California, (ii) California Sunshine Active Wear, Inc.; or (iii) Nantucket Industries, Inc. or because Executive "beneficially owns", either individually or as a member of a "group" (as such terms are used in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), not more than five percent (5%) of the voting securities of any one or more companies that file reports pursuant to the Exchange Act. After the expiration of the Term hereof and during the two-year period referenced above, the restrictions imposed by this paragraph shall not apply to any business in which the Company or its affiliates and subsidiaries were not engaged at the time of termination of the Executive's employment hereunder or to any geographic area in which the Company or its affiliates and subsidiaries were not engaged in the Business at the time of termination.

(b) NO INTERFERENCE. During the Restricted Period, the Executive shall not, for the purpose of competing with the Business, directly or indirectly, whether for his own account or for the account of any other individual, partnership, firm, corporation or other business organization or entity (other than the Company), intentionally solicit, endeavor to entice away from the Company or any of its affiliates or subsidiaries, or otherwise intentionally interfere with the relationship of the Company or any of its affiliates or subsidiaries with any person who is employed by or otherwise engaged to perform services for the Company or any of its affiliates or subsidiaries or influence, or seek to influence, any person or entity who is a customer, client or supplier of the Company or any of its affiliates or subsidiaries to divert their business to any person or entity that competes with the Company or any of its affiliates or subsidiaries, nor shall the Executive participate in the efforts of any individual, partnership, firm, corporation or other business corporation or entity for which he provides services, by which he is employed, or in which he invests, to do so, except that the provisions of this Section 9(b) will not be deemed breached merely because Executive owns equity in (i) Charles David of California, (ii) California Sunshine Active Wear, Inc.; or (iii) Nantucket Industries, Inc. or because Executive "beneficially owns", either individually or as a member of a "group" (as such terms are used in Rule 13d-3 under the Exchange Act), not more than five percent (5%) of the voting securities of any one or more companies that file reports pursuant to the Exchange Act. After the expiration of the Term hereof and during the two-year period referenced in subsection 9(a), the restrictions imposed by this paragraph shall not apply to any business in which the Company or its affiliates and subsidiaries were not engaged at the time of termination of the Executive's employment hereunder or to any geographic area in which the Company or its affiliates and subsidiaries were not engaged in the Business at the time of termination.

(c) CONFIDENTIAL INFORMATION. The Executive recognizes that the services to be performed by him hereunder, and the services performed by him during prior periods of employment with the Company, are special, unique and

extraordinary and that, by reason of such employment, he has acquired and will continue to acquire confidential information and trade secrets concerning the operations of the Company and its affiliates and subsidiaries. Accordingly, the Executive agrees that he will not, except with the prior written consent of the Board or as may be required by law, directly or indirectly, disclose during the Term or any time thereafter any secret or confidential information that he has learned by reason of his association with the Company or any of its affiliates or subsidiaries or use any such information to the detriment of the Company or its affiliates or subsidiaries so long as such confidential information or trade secrets have not been disclosed or are not otherwise in the public domain. The term "CONFIDENTIAL INFORMATION" means any information about the Company, its subsidiaries and affiliates, and their respective clients and customers, not previously disclosed to the public or to the trade by the Company's management, including, without limitation, any products, data, formulae, facilities and methods, trade secrets and other intellectual property, systems, records (including computer records), procedures, manuals, confidential reports, product price lists, client and customer lists, financial information (including the revenues, costs or profits associated with any of the Company's products), business plans, prospects or opportunities.

(d) REMEDIES; SURVIVAL OF AGREEMENT. In the event that the Executive materially breaches any of the covenants set forth in this Section 9 and fails to cure such breach to the reasonable satisfaction of the Company within 10 business days after receipt of written notice thereof to the Executive, any obligation of the Company to make any payment to the Executive pursuant to this Agreement, including without limitation any payments pursuant to Section 7(b) (other than payments of Salary or Bonus earned prior to the date of such breach and unreimbursed expenses), shall be cancelled. In addition, the Executive acknowledges that a breach of any of the covenants contained in this Section 9 may result in material irreparable injury to the Company or its affiliates or subsidiaries for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company shall be entitled, in addition to any other rights or remedies it may have, to seek an injunction enjoining or restraining the Executive from any violation or threatened violation of this Section 9. The Executive's agreement as set forth in this Section shall survive the termination of the Executive's employment under this Agreement.

10. SOURCE OF PAYMENTS. All payments provided under this Agreement, other than payments made pursuant to a benefit plan which may provide otherwise, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. The Executive shall have no right, title, or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and the

Executive or any other person. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

11. TAX WITHHOLDING. Payments to the Executive of all compensation contemplated under this Agreement shall be subject to all applicable legal requirements with respect to the withholding of taxes.

12. NONASSIGNABILITY; BINDING AGREEMENT. Neither this Agreement nor any right, duty, obligation or interest hereunder shall be assignable or delegable by the Executive without the Company's prior written consent; PROVIDED, HOWEVER, that nothing in this Section shall preclude the Executive from designating any of his beneficiaries to receive any benefits payable hereunder upon his death or disability, or his executors, administrators, or other legal representatives, from assigning any rights hereunder to the person or persons entitled thereto. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto, any successors to or assigns of the Company

and the Executive's heirs and the personal representatives of the Executive's estate.

13. AMENDMENT; WAIVER. This Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by the parties hereto. The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

14. NOTICES. Any notice hereunder by either party to the other shall be given in writing by personal delivery, telex, telecopy or certified mail, return receipt requested, to the applicable address set forth below:

(i) To the Company: Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021
Attention: Glenn A. Weinman, Esq.
Telecopier: (213) 744-7840

(ii) To the Executive:Mr. Maurice Marciano
Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021
Telecopier: (213) 744-7825

(or such other address as may from time to time be designated by notice by any party hereto for such purpose). Notice shall be deemed given, if by personal delivery, on the date of such delivery or, if by telex or telecopy, on the business day following receipt of answerback

or telecopy confirmation or, if by certified mail, on the date shown on the applicable return receipt.

15. CALIFORNIA LAW. This Agreement is to be governed by and interpreted in accordance with the laws of the State of California, without giving effect to the choice-of-law provisions thereof. If, under such law, any portion of this Agreement is at any time deemed to be in conflict with any applicable statute, rule, regulation or ordinance, such portion shall be deemed to be modified or altered to conform thereto or, if that is not possible, to be omitted from this Agreement, and the invalidity of any such portion shall not affect the force, effect and validity of the remaining portion hereof.

16. ARBITRATION. Any controversy or claim arising out of or relating to this Agreement, including, but not limited to, any claim relating to its validity, interpretation, enforceability or breach, or any other claim or controversy arising out of the employment relationship or the commencement or termination of that relationship, including, but not limited to, claims for breach of covenant, breach of implied covenant or intentional infliction of emotional distress, which are not settled by agreement between the parties, shall be settled by arbitration in Los Angeles, California before a board of three arbitrators, one to be selected by the Company, one by Executive and the other by the two persons so selected, all in accordance with the labor arbitration rules of the American Arbitration Association then in effect; PROVIDED, HOWEVER, that the Company shall nevertheless be entitled to seek relief under Section 9 in accordance with Section 9(d). In consideration of the parties' agreement to submit to arbitration disputes with regard to this Agreement and with regard to any alleged contract or tort or other claim arising out of the employment relationship, and in consideration of the anticipated expedition and minimization of expense of this arbitration remedy, each party agrees that the arbitration provisions of this Agreement shall provide it with exclusive remedy, except as provided in the preceding sentence, and each party expressly waives any right it might have to seek redress in any other forum except as provided herein. The

parties further agree that the arbitrators acting hereunder shall be empowered to assess no remedy other than the payment of compensatory damages or an order (including temporary, preliminary and permanent injunctive relief) enforcing the provisions of Section 9. Executive acknowledges that the Company would be irreparably injured by Executive's breach of his obligations under Section 9 and that monetary damages would be inadequate. Subject to the provisions of Section 17(b) hereof, the expenses of the third arbitrator and of a transcript of any arbitration proceeding shall be divided equally between the Company and Executive and each party shall bear the expense of the arbitrator selected by it and of any witnesses it calls. Any decision and award or order of the majority of the arbitrators shall be binding upon the parties hereto and judgment thereon may be entered in any court having jurisdiction thereof.

17. INDEMNITY AND REIMBURSEMENT OF LEGAL EXPENSES.

(a) INDEMNITY. The Company will indemnify the Executive (and his legal representatives or other successors) to the fullest extent permitted (including payment of expenses in advance of final disposition of a proceeding) by the laws of the State of

California, as in effect at the time of the subject act or omission, or by the Certificate of Incorporation and By-Laws of the Company, as in effect at such time, or by the terms of any indemnification agreement between the Company and the Executive, whichever affords greatest protection to the Executive, and the Executive shall be entitled to the protection of any insurance policies the Company may elect to maintain generally for the benefit of its directors and officers (and to the extent the Company maintains such an insurance policy or policies, the Executive shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company officer or director), against all costs, charges and expenses whatsoever incurred or sustained by him or his legal representatives at the time such costs, charges and expenses are incurred or sustained, in connection with any action, suit or proceeding to which he (or his legal representatives or other successors) may be made a party by reason of his being or having been a director, officer or employee of the Company or any subsidiary thereof, or his serving or having served any other enterprises as a director, officer or employee at the request of the Company.

(b) LEGAL FEES AND EXPENSES. In the event of a dispute between the Executive and the Company with respect to any of the Executive's rights under this Agreement, the Company shall reimburse the Executive for any and all legal fees and related expenses reasonably incurred by him in connection with enforcing such rights if the Executive is successful in obtaining a money judgment against the Company in a final arbitration proceeding. In addition, the Company shall reimburse Executive for all reasonable legal expenses in connection with the negotiation and review of this Agreement and any amendments thereto.

18. COUNTERPARTS. This Agreement may be executed by either of the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this __ day of _____, 1996, effective as of the Effective Date.

GUESS ?, INC.

By: ____
Title: ____

____
Maurice Marciano

EXHIBIT 10.25

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, made as of _____, 1996, by and between Guess ?, Inc., a Delaware corporation (herein referred to as the "COMPANY"), and Paul Marciano (herein referred to as the "EXECUTIVE").

W I T N E S S E T H:

WHEREAS, the Company intends to make an underwritten initial public offering of its common stock (the "PUBLIC OFFERING"); and

WHEREAS, in connection with the Public Offering, the Company and Executive deem it to be in their respective best interests to enter into an agreement providing for the Company's employment of Executive pursuant to the terms herein stated;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto hereby agree as follows:

1. EMPLOYMENT; POSITION AND DUTIES; EXCLUSIVE SERVICES.

(a) EMPLOYMENT. The Company agrees to employ the Executive, and the Executive agrees to be employed by the Company, for the Term provided in Section 2 below and upon the other terms and conditions hereinafter provided.

(b) POSITION AND DUTIES. During the Term, the Executive (i) agrees to serve as the President and Chief Operating Officer of the Company and to perform such reasonable duties as may be delineated in the By-Laws of the Company and as may be assigned to him from time to time by the Board of Directors of the Company (the "BOARD"), including, without limitation, primary responsibility for all advertising, management information systems and legal functions of the Company, (ii) shall report, as President and Chief Operating Officer of the Company, only to the Board or to the Chairman of the Board and to the Chief Executive Officer of the Company, (iii) shall be given such authority as is appropriate to carry out the duties described above, it being understood that, in his capacities as President and Chief Operating Officer of the Company, his duties will be consistent in scope, prestige and authority with the duties of President and Chief Operating Officer of the Company as demonstrated by the Company's existing practices as of the effective date of this Agreement, and (v) agrees to serve, if elected, at no additional compensation (if the other officers or directors (other than non-employee directors) of the Company also serve at no additional compensation) in the position of officer or director of any subsidiary or affiliate of the Company; PROVIDED, HOWEVER, that such position shall be of no less status relative to such subsidiary or affiliate as the position that the Executive holds pursuant to clause (i) of this Section 1(b) is relative to the Company.

(c) EXCLUSIVE SERVICES. During the Term, the Executive agrees to devote substantially all of his business time, attention, skill and efforts exclusively to the business and affairs of the Company and its subsidiaries and affiliates, and shall perform and

discharge the duties which may be assigned to him from time to time by the Board or the Chief Executive Officer.

(d) RELOCATION. The Company shall not relocate the Executive's principal place of business outside of the Los Angeles metropolitan area without the written consent of the Executive.

2. TERM OF AGREEMENT. The term of employment under this Agreement shall initially be the three-year period commencing on the date of the Public Offering (the "EFFECTIVE DATE") and ending on the third anniversary of the Effective Date, and shall be automatically extended without further action by either party for a successive or successive one-year period or periods, unless written notice of either party's intention to terminate this Agreement has been given to the other party at least 90 days prior to the expiration of the Term (including any one-year extension thereof). As used in this Agreement, the "TERM" shall mean the initial three-year term plus any extensions thereof as provided in this Section 2.

3. SALARY AND ANNUAL BONUS. The Executive's cash compensation for all services to be rendered by him in any capacity hereunder shall consist of base salary as provided in Section 3(a) and bonus compensation as provided in Section 3(b).

(a) SALARY. The Executive shall be paid a minimum base salary (the "SALARY") at the rate of $900,000 per annum. The Salary shall be payable in accordance with the customary payroll practices for executives of the Company. The amount of Executive's Salary will be reviewed not less often than annually by the Compensation Committee of the Board (the "COMPENSATION COMMITTEE") and may be increased, but not decreased below such amount, on the basis of such review.

(b) ANNUAL BONUS.

(i) GENERAL TERMS. For each calendar year included in whole or in part within the Term, the Executive shall be eligible to earn an annual cash bonus (a "BONUS") based upon the achievement by the Company and its subsidiaries of performance targets established by the Compensation Committee in accordance with the terms of the Company's Annual Incentive Bonus Plan and any successor plan thereto (collectively, the "BONUS PLAN"). The performance goals on the basis of which the Executive's bonus shall be determined shall be no less favorable to the Executive than the goals used to determine the bonus of any other executive of the Company whose annual bonus is based in whole or in part on corporate performance and who participates in the Bonus Plan, and the Compensation Committee shall establish objective criteria to be used to determine the extent to which such performance goals have been met. The Bonus, if any, payable to the Executive in respect of each calendar year will be paid at the same time that bonuses are paid to other participants in the Bonus Plan.

(ii) AMOUNT OF TARGET BONUS. For each calendar year included in whole or in part within the Term, there shall be a target Bonus (a "TARGET BONUS") for the Executive equal to at least 100% of Executive's Salary, at the annual rate in effect at the beginning of such calendar year (pro rated, if less than an entire year).

(iii) DETERMINATION OF THE BONUS AMOUNT. The amount of the actual Bonus for any calendar year to be paid to the Executive will be determined, in the sole discretion of the Compensation Committee, based upon the performance of the Company and its subsidiaries against the goals established by the Compensation Committee pursuant to the Bonus Plan.

4. STOCK OPTIONS. Commencing as of the Effective Date, Executive shall be eligible for option grants under the Company's 1996 Equity Incentive Plan and any successor plan thereto for the Company's executive officers, in accordance with the terms and conditions thereof.

5. PENSION AND WELFARE BENEFITS. During the Term, the Executive will participate in all pension and welfare plans, programs and benefits that are applicable to executives of the Company. The benefits provided to the Executive during the Term, when taken as a whole, shall be no less favorable than the benefits which, when taken as a whole, are provided to any other

executive of the Company; PROVIDED that Executive shall continue to receive life insurance coverage in an amount equal to at least one (1) times his then Salary. During the Term, the Executive shall also be entitled to all additional perquisites which the Company provides to its executives. Subject to subsection 7(a)(i) hereof, from and after the expiration of the Term or, if earlier, the date of termination of Executive's employment hereunder, Executive shall be entitled, during his lifetime, to full Company-paid health and life insurance for himself and his immediate family, at a level no less favorable than that in effect from time to time for the benefit of the Company's senior executive officers.

6. OTHER BENEFITS.

(a) TRAVEL AND BUSINESS-RELATED EXPENSES. During the Term, the Executive shall be reimbursed in accordance with the policies of the Company for traveling and other expenses incurred in the performance of the business of the Company.

(b) AUTOMOBILE. During the Term, the Executive shall be furnished with an automobile either owned or leased by the Company or an automobile allowance, at the discretion of the Company. The Company shall pay or reimburse the Executive for all reasonable expenses associated with the operation of such automobile, including, without limitation, all reasonable maintenance and insurance expenses.

(c) AIRCRAFT. The Executive shall be provided with reasonable access to any aircraft leased or owned by the Company.

(d) COUNTRY CLUB MEMBERSHIP. During the Term, the Company shall pay the Executive's reasonable membership expenses (including fees, dues and related expenses) at such country club or clubs as approved by the Board.

(e) CONSULTING AGREEMENT. Commencing on the expiration of the Term of this Agreement or, if earlier, the date of termination of Executive's employment hereunder for any reason other than death or for Cause (as defined below), and subject to the provisions of Sections 8 and 9 hereof, the Company and Executive shall enter into a two (2) year consulting agreement pursuant to which Executive shall render consulting services to the Company as Executive and the Company shall agree, for which the Company shall pay Executive a consulting fee at an annual rate equal to 50% of Executive's Salary, at the rate in effect immediately prior to the commencement of the consulting period, payable in accordance with the customary payroll practices for executives of the Company or at such other time or times as Executive and the Company shall agree. It is expressly understood that Executive's reporting obligations pursuant to such consulting agreement shall be limited to the Board and the Chief Executive Officer of the Company, or such other person as Executive and the Company shall agree.

7. TERMINATION OF EMPLOYMENT.

(a) TERMINATION FOR CAUSE, RESIGNATION WITHOUT GOOD REASON.

(i) If the Executive's employment is terminated by the Company for Cause (as defined below) or if the Executive resigns from his employment without Good Reason (as defined below), prior to the expiration of the Term, the Executive shall be entitled to receive: (A) the Salary provided for in Section 3(a) as accrued through the date of such resignation or termination; (B) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination or resignation occurs; and (C) any unreimbursed expenses. The Executive shall not accrue or otherwise be eligible to receive Salary payments or to participate in any plans, programs or benefits described in Section 5 hereof with respect to periods after the date of such termination or resignation, and shall not be eligible to receive any Bonus in respect of the year of such termination or resignation or any

calendar year following the year in which such termination or resignation occurs. Any Bonus in respect of a year prior to the year in which such termination or resignation occurs shall be payable at such time and in such manner as provided for in Section 3(b) hereof.

(ii) Termination for "CAUSE" shall mean termination by action of the Board because of: (A) Executive's willful and continued failure (other than by reason of the incapacity of Executive due to physical or mental illness) substantially to perform his duties hereunder; (B) a felony conviction of the Executive or the perpetration by the Executive of a serious dishonest act against the Company or any of its affiliates or subsidiaries; (C) any willful misconduct by the Executive that is materially injurious to the financial condition or business reputation of the Company or any of its affiliates or subsidiaries; or (D) chronic alcoholism or drug abuse which materially affects Executive's performance hereunder,

PROVIDED, HOWEVER, that no event or circumstance shall be considered to constitute Cause within the meaning of this clause (ii) unless the Executive has been given written notice of the events or circumstances constituting Cause and has failed to effect a cure thereof within 60 calendar days following the receipt of such notice.

(iii) Resignation for "GOOD REASON" shall mean the resignation of the Executive because of (A) a material reduction in Executive's responsibilities, duties, authority, status or titles as described in Section 1 above; or (B) failure by the Company to pay or provide Executive when due any compensation, benefits or perquisites to which Executive is entitled pursuant to this Agreement or any other plan, contract or arrangement in which Executive participates or is entitled to participate; PROVIDED, HOWEVER, that no event or circumstance shall be considered to constitute Good Reason within the meaning of this clause (iii) unless the Company has been given written notice of the events or circumstances constituting Good Reason and has failed to effect a cure thereof within 60 calendar days following the receipt of such notice.

(iv) The date of termination of employment by the Company pursuant to this Section 7(a) shall be the date specified in a written notice of termination from the Company to the Executive, which, in the case of a proposed termination to which the 60-day cure period provided for in subsection (ii) above applies shall be no less than 61 days after the delivery of such notice to the Executive. The date of a resignation by the Executive pursuant to this Section 7(a) shall be the date specified in the written notice of resignation from the Executive to the Company, which, in the case of a proposed resignation to which the 60-day cure period provided for in subsection (iii) above applies shall be no less than 61 days after the delivery of such notice to the Company, or, if no date is specified therein, 61 days after receipt by the Company of the written notice of resignation from the Executive.

(b) TERMINATION WITHOUT CAUSE, RESIGNATION FOR GOOD REASON.

(i) If the Executive's employment is terminated by the Company without Cause or if the Executive should resign for Good Reason, prior to the expiration of the Term, he shall be entitled to receive: (A) the Salary provided for in Section 3(a) as accrued through the date of such resignation or termination and continuing for the remainder of the then-effective Term (the "CONTINUATION PERIOD"); (B) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination or resignation occurs; (C) any unreimbursed expenses and (D) a Bonus for the calendar year in which such termination or resignation occurs equal to the Executive's Target Bonus for such year and a Bonus for each subsequent year included in whole or in part within the Continuation Period equal to the Target Bonus for the calendar year in which such termination or resignation occurs, PROVIDED, HOWEVER, that the amount of such Bonus payable in respect of any partial calendar year at the conclusion of the Continuation Period

shall be prorated and shall equal the Executive's Bonus for such year multiplied by a fraction, the numerator of which shall equal the number of days in such calendar year up to and including the last day of the

Continuation Period and the denominator of which shall equal the lesser of 365 or the number of days in such final calendar year up to and including the last day of the Term.

During the Continuation Period, (X) Salary payments to the Executive shall be payable in accordance with the payroll practices of the Company, and (Y) Bonus payments shall be made in respect of each calendar year at the same time that bonuses are paid to participants in the Bonus Plan.

The Executive shall also be entitled to continued participation in the medical, dental and insurance plans and arrangements described in Section 5, on the same terms and conditions as are in effect immediately prior to such termination or resignation, until the earlier to occur of (i) the last day of the Continuation Period and (ii) such time as Executive is entitled to comparable benefits provided by a subsequent employer. Anything herein to the contrary notwithstanding, the Company shall have no obligation to continue to maintain during the Continuation Period any plan or program solely as a result of the provisions of this Agreement. If, during the Continuation Period, Executive is precluded from participating in a plan or program by its terms or applicable law or if the Company for any reason ceases to maintain such plan or program, the Company shall provide Executive with compensation or benefits the aggregate value of which, in the reasonable judgement of the Company, is no less than the aggregate value of the compensation or benefits that Executive would have received under such plan or program had he been eligible to participate therein or had such plan or program continued to be maintained by the Company.

(ii) Except as may be provided under the terms of any applicable grants to the Executive, under any plan or arrangement in which the Executive participates under Section 5 or except as may be otherwise required by applicable law, including, without limitation, the provisions of Section 4980B(f) of the Internal Revenue Code of 1986, as amended (the "CODE"), the Executive shall have no right under this Agreement or any other agreement to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation of employment. Except as otherwise provided in Section 9(d), in the event of a termination or resignation pursuant to this Section 7(b), the Executive shall have no duty of mitigation with respect to amounts payable to him pursuant to this Section 7(b) or other benefits to which he is entitled pursuant hereto; PROVIDED, HOWEVER, that, in the event the Executive breaches any of the provisions of Sections 8 or 9 hereof, the amounts payable to the Executive pursuant to this Section 7(b), or other benefits to which he is entitled pursuant hereto, will be offset or reduced by any compensation, payments or benefits he may receive from a subsequent employer.

(iii) The date of termination of employment by the Company pursuant to this Section 7(b) shall be the date specified in the written notice of termination from the Company to the Executive or, if no date is specified therein, ten business days after receipt by the Executive of the written notice of termination from the Company. The date of a resignation by the Executive pursuant to this Section 7(b) shall be the date specified in the

written notice of resignation from the Executive to the Company or, if no date is specified therein, ten business days after receipt by the Company of the written notice of resignation from the Executive.

(c) DEATH OR PERMANENT DISABILITY. If the Executive's employment hereunder terminates by reason of Executive's death or Permanent Disability prior to expiration of the Term, the Executive (or his beneficiary (or if no such beneficiary is designated, his estate), conservator or guardian, as the case may be) shall be entitled to receive: (i) the Salary provided for in Section 3(a) as accrued through the date of the Executive's death or Permanent Disability; (ii) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which the Executive's death or Permanent Disability occurs; (iii) a Bonus for the calendar year in which the Executive's death or Permanent Disability occurs equal to a pro rata portion of the Executive's Target Bonus for such year, determined on the basis of the number of days in such year through the date of Executive's death or Permanent Disability; and (iv) any unreimbursed expenses. Bonus payments provided for in this Section 7(c) shall be made at such time and in such manner as is provided in Section 3(b). As used in this Section, the term "BENEFICIARY" includes both the singular and the plural of such term, as may be appropriate. For purposes of this Agreement, "PERMANENT DISABILITY" shall be defined in the same manner as such term or a similar term is defined in any long-term disability policy maintained by the Company for the Executive and in effect on the date of the Executive's termination of employment with the Company, PROVIDED that, in the event that the Company does not maintain a long-term disability policy for the Executive, Permanent Disability shall mean a physical or mental incapacity that substantially prevents him from performing his duties hereunder for a period of 6 consecutive months and that can reasonably be expected to continue indefinitely. Any dispute as to whether or not Executive is disabled within the meaning of the preceding sentence shall be resolved by a physician reasonably satisfactory to Executive and the Company, and the determination of such physician shall be final and binding upon both Executive and the Company.

8. ASSIGNMENT OF INTELLECTUAL PROPERTY RIGHTS.

(a) DEFINITION OF "INVENTIONS". As used herein, the term "INVENTIONS" shall mean all inventions, discoveries, improvements, trade secrets, formulas, techniques, data, programs, systems, specifications, documentations, algorithms, flow charts, logic diagrams, source codes, processes, and other information, including works-in-progress, whether or not subject to patent, trademark, copyright, trade secret, or mask work protection, and whether or not reduced to practice, which are made, created, authored, conceived, or reduced to practice by Executive, either alone or jointly with others, during the period of employment with the Company (including, without limitation, all periods of employment with the Company prior to the Effective Date), whether or not performed on the Company's premises or property, which (A) relate to the actual or anticipated business, activities, research, or investigations of the Company or (B) result from or is suggested by work performed by Executive for the Company (whether or not made or conceived during normal working hours

or on the premises of the Company), or (C) which result, to any extent, from use of the Company's premises or property.

(b) WORK FOR HIRE. Executive expressly acknowledges that all copyrightable aspects of the Inventions (as defined above) are to be considered "works made for hire" within the meaning of the Copyright Act of 1976, as amended (the "ACT"), and that the Company is to be the "author" within the meaning of such Act for all purposes. All such copyrightable works, as well as all copies of such works in whatever medium, fixed or embodied, shall be owned exclusively by the Company as of the date of creation, and Executive hereby expressly disclaims any and all interest in any of such copyrightable works and waives any right of DROIT MORALE or similar rights.

(c) ASSIGNMENT. Executive acknowledges and agrees that all Inventions constitute trade secrets of the Company and shall be the sole property of the Company or any other entity designated by the Company. In

the event that title to any or all of the Inventions, or any part or element thereof, may not, by operation of law, vest in the Company, or such Inventions may be found as a matter of law not to be "works made for hire" within the meaning of the Act, Executive hereby conveys and irrevocably assigns to the Company, without further consideration, all his right, title and interest, throughout the universe and in perpetuity, in all Inventions and all copies of them, in whatever medium, fixed or embodied, and in all written or computer records, graphics, diagrams, notes, or reports relating thereto in Executive's possession or under his control, including, with respect to any of the foregoing, all rights of copyright, patent, trademark, trade secret, mask work, and any and all other proprietary rights therein, the right to modify and create derivative works, the right to invoke the benefit of any priority under any international convention, and all rights to register and renew the same. Anything to the contrary notwithstanding, this subsection (c) shall not require Executive to assign any Invention that would cause this Section 8, or any portion thereof, to be void or unenforceable under Section 2870 of the California Labor Code, and Executive acknowledges receipt of the notification required by Section 2872 of the California Labor Code.

(d) PROPRIETARY NOTICES; NO FILINGS; WAIVER OF MORAL RIGHTS. Executive acknowledges that all Inventions shall, at the sole option of the Company, bear the Company's patent, copyright, trademark, trade secret and mask work notices.

Executive agrees not to file any patent, copyright or trademark applications relating to any Invention except with prior written consent of an authorized representative of the Company (other than Executive).

Executive hereby expressly disclaims any and all interest in any Inventions and waives any right of DROIT MORALE or similar rights, such as rights of integrity or the right to be attributed as the creator of the Invention.

(e) FURTHER ASSURANCES. Executive agrees to assist the Company, or any party designated by the Company, promptly on the Company's request, whether before or after the termination of employment, however such termination may occur, in perfecting, registering, maintaining, and enforcing, in all jurisdictions, the Company's rights in the Inventions by performing all acts and executing all documents and instruments deemed necessary or convenient by the Company, including, by way of illustration and not limitation:

(i) Executing assignments, applications, and other documents and instruments in connection with (A) obtaining patents, copyrights, trademarks, mask works, or other proprietary protections for the Inventions and (B) confirming the assignment to the Company of all right, title and interest in the Inventions or otherwise establishing the Company's exclusive ownership rights therein.

(ii) Cooperating in the prosecution of patent, copyright, trademark and mask work applications, as well as in the enforcement of the Company's rights in the Inventions, including, but not limited to, testifying in court or before any patent, copyright, trademark or mask work registry office or any other administrative body.

Executive will be reimbursed for all out-of-pocket costs reasonably incurred in connection with the foregoing, if such assistance is requested by the Company after the termination of Executive's employment. In addition, to the extent that, after the termination of employment for whatever reason, Executive's technical expertise shall be required in connection with the fulfillment of the aforementioned obligations, the Company will compensate Executive at a reasonable rate for the time actually spent by Executive at the Company's request rendering such assistance.

(f) POWER OF ATTORNEY. Executive hereby irrevocably appoints the Company to be his Attorney-in-Fact to execute any document and to take any action in his name and on his behalf and to generally use his name for the purpose of giving to the Company the full benefit of the assignment provisions set forth above.

(g) DISCLOSURE OF INVENTIONS. Executive will make full and prompt disclosure to the Company of all Inventions subject to assignment to the Company, and all information relating thereto in Executive's possession or under his control as to possible applications and use thereof.

9. NO COMPETING EMPLOYMENT; NO INTERFERENCE; CONFIDENTIALITY; REMEDIES.

(a) NO COMPETING EMPLOYMENT. For so long as the Executive is employed by the Company or any of its affiliates and subsidiaries and continuing for the two-year period commencing at the expiration of the Term hereof or the earlier termination of Executive's employment for any reason other than death (such period being referred to hereinafter as the "RESTRICTED PERIOD"), the Executive shall not, unless he receives after the

Effective Date the prior written consent of the Board, directly or indirectly, whether as owner, consultant, employee, partner, venturer, agent, through stock ownership, investment of capital, lending of money or property, rendering of services, or otherwise, compete with the Company or any of its affiliates or subsidiaries in any business in which any of them is engaged during the Term hereunder or at the time of the termination of the Executive's employment hereunder, including without limitation the design, manufacture and/or distribution of men's or women's sportswear or accessories (such businesses are hereinafter referred to as the "BUSINESS"), or assist, become interested in or be connected with any corporation, firm, partnership, joint venture, sole proprietorship or other entity which so competes with the Business, except that the provisions of this Section 9(a) will not be deemed breached merely because Executive owns equity in (i) Charles David of California, (ii) California Sunshine Active Wear, Inc.; or (iii) Nantucket Industries, Inc. or because Executive "beneficially owns", either individually or as a member of a "group" (as such terms are used in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), not more than five percent (5%) of the voting securities of any one or more companies that file reports pursuant to the Exchange Act. After the expiration of the Term hereof and during the two-year period referenced above, the restrictions imposed by this paragraph shall not apply to any business in which the Company or its affiliates and subsidiaries were not engaged at the time of termination of the Executive's employment hereunder or to any geographic area in which the Company or its affiliates and subsidiaries were not engaged in the Business at the time of termination.

(b) NO INTERFERENCE. During the Restricted Period, the Executive shall not, for the purpose of competing with the Business, directly or indirectly, whether for his own account or for the account of any other individual, partnership, firm, corporation or other business organization or entity (other than the Company), intentionally solicit, endeavor to entice away from the Company or any of its affiliates or subsidiaries, or otherwise intentionally interfere with the relationship of the Company or any of its affiliates or subsidiaries with any person who is employed by or otherwise engaged to perform services for the Company or any of its affiliates or subsidiaries or influence, or seek to influence, any person or entity who is a customer, client or supplier of the Company or any of its affiliates or subsidiaries to divert their business to any person or entity that competes with the Company or any of its affiliates or subsidiaries, nor shall the Executive participate in the efforts of any individual, partnership, firm, corporation or other business corporation or entity for which he provides services, by which he is employed, or in which he invests, to do so, except that the provisions of this Section 9(b) will not be deemed breached merely because Executive owns equity in (i) Charles David of California, (ii)

California Sunshine Active Wear, Inc.; or (iii) Nantucket Industries, Inc. or because Executive "beneficially owns", either individually or as a member of a "group" (as such terms are used in Rule 13d-3 under the Exchange Act), not more than five percent (5%) of the voting securities of any one or more companies that file reports pursuant to the Exchange Act. After the expiration of the Term hereof and during the two-year period referenced in subsection 9(a), the restrictions imposed by this paragraph shall not apply to any business in which the Company or its affiliates and subsidiaries were not engaged at the time of termination of the

Executive's employment hereunder or to any geographic area in which the Company or its affiliates and subsidiaries were not engaged in the Business at the time of termination.

(c) CONFIDENTIAL INFORMATION. The Executive recognizes that the services to be performed by him hereunder, and the services performed by him during prior periods of employment with the Company, are special, unique and extraordinary and that, by reason of such employment, he has acquired and will continue to acquire confidential information and trade secrets concerning the operations of the Company and its affiliates and subsidiaries. Accordingly, the Executive agrees that he will not, except with the prior written consent of the Board or as may be required by law, directly or indirectly, disclose during the Term or any time thereafter any secret or confidential information that he has learned by reason of his association with the Company or any of its affiliates or subsidiaries or use any such information to the detriment of the Company or its affiliates or subsidiaries so long as such confidential information or trade secrets have not been disclosed or are not otherwise in the public domain. The term "CONFIDENTIAL INFORMATION" means any information about the Company, its subsidiaries and affiliates, and their respective clients and customers, not previously disclosed to the public or to the trade by the Company's management, including, without limitation, any products, data, formulae, facilities and methods, trade secrets and other intellectual property, systems, records (including computer records), procedures, manuals, confidential reports, product price lists, client and customer lists, financial information (including the revenues, costs or profits associated with any of the Company's products), business plans, prospects or opportunities.

(d) REMEDIES; SURVIVAL OF AGREEMENT. In the event that the Executive materially breaches any of the covenants set forth in this Section 9 and fails to cure such breach to the reasonable satisfaction of the Company within 10 business days after receipt of written notice thereof to the Executive, any obligation of the Company to make any payment to the Executive pursuant to this Agreement, including without limitation any payments pursuant to Section 7(b) (other than payments of Salary or Bonus earned prior to the date of such breach and unreimbursed expenses), shall be cancelled. In addition, the Executive acknowledges that a breach of any of the covenants contained in this Section 9 may result in material irreparable injury to the Company or its affiliates or subsidiaries for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company shall be entitled, in addition to any other rights or remedies it may have, to seek an injunction enjoining or restraining the Executive from any violation or threatened violation of this Section 9. The Executive's agreement as set forth in this Section shall survive the termination of the Executive's employment under this Agreement.

10. SOURCE OF PAYMENTS. All payments provided under this Agreement, other than payments made pursuant to a benefit plan which may provide otherwise, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. The Executive shall have no right, title, or interest whatever in or to any investments which the Company may

make to aid the Company in meeting its obligations hereunder. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and the Executive or any other person. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

11. TAX WITHHOLDING. Payments to the Executive of all compensation contemplated under this Agreement shall be subject to all applicable legal requirements with respect to the withholding of taxes.

12. NONASSIGNABILITY; BINDING AGREEMENT. Neither this Agreement nor any right, duty, obligation or interest hereunder shall be assignable or delegable by the Executive without the Company's prior written consent; PROVIDED, HOWEVER, that nothing in this Section shall preclude the Executive from designating any of his beneficiaries to receive any benefits payable hereunder upon his death or disability, or his executors, administrators, or other legal representatives, from assigning any rights hereunder to the person or persons entitled thereto. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto, any successors to or assigns of the Company and the Executive's heirs and the personal representatives of the Executive's estate.

13. AMENDMENT; WAIVER. This Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by the parties hereto. The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

14. NOTICES. Any notice hereunder by either party to the other shall be given in writing by personal delivery, telex, telecopy or certified mail, return receipt requested, to the applicable address set forth below:

(i) To the Company: Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021
Attention: Glenn A. Weinman, Esq.
Telecopier: (213) 744-7840

(ii) To the Executive: Mr. Paul Marciano
Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021
Telecopier: (213) 744-7825

(or such other address as may from time to time be designated by notice by any party hereto for such purpose). Notice shall be deemed given, if by personal delivery, on the date of such delivery or, if by telex or telecopy, on the business day following receipt of answerback or telecopy confirmation or, if by certified mail, on the date shown on the applicable return receipt.

15. CALIFORNIA LAW. This Agreement is to be governed by and interpreted in accordance with the laws of the State of California, without giving effect to the choice-of-law provisions thereof. If, under such law, any portion of this Agreement is at any time deemed to be in conflict with any applicable statute, rule, regulation or ordinance, such portion shall be deemed to be modified or altered to conform thereto or, if that is not possible, to be omitted from this Agreement, and the invalidity of any such portion shall not affect the force, effect and validity of the remaining portion hereof.

16. ARBITRATION. Any controversy or claim arising out of or relating to this Agreement, including, but not limited to, any claim relating to its validity, interpretation, enforceability or breach, or any other claim or controversy arising out of the employment relationship or the commencement or termination of that relationship, including, but not limited to, claims for breach of covenant, breach of implied covenant or intentional infliction of emotional distress, which are not settled by agreement between the parties, shall be settled by arbitration in Los Angeles, California before a board of three arbitrators, one to be selected by the Company, one by Executive and the other by the two persons so selected, all in accordance with the labor arbitration rules of the American Arbitration Association then in effect; PROVIDED, HOWEVER, that the Company shall nevertheless be entitled to seek relief under Section 9 in accordance with Section 9(d). In consideration of the parties' agreement to submit to arbitration disputes with regard to this Agreement and with regard to any alleged contract or tort or other claim arising out of the employment relationship, and in consideration of the anticipated expedition and minimization of expense of this arbitration remedy, each party agrees that the arbitration provisions of this Agreement shall provide it with exclusive remedy, except as provided in the preceding sentence, and each party expressly waives any right it might have to seek redress in any other forum except as provided herein. The parties further agree that the arbitrators acting hereunder shall be empowered to assess no remedy other than the payment of compensatory damages or an order (including temporary, preliminary and permanent injunctive relief) enforcing the provisions of Section 9. Executive acknowledges that the Company would be irreparably injured by Executive's breach of his obligations under Section 9 and that monetary damages would be inadequate. Subject to the provisions of Section 17(b) hereof, the expenses of the third arbitrator and of a transcript of any arbitration proceeding shall be divided equally between the Company and Executive and each party shall bear the expense of the arbitrator selected by it and of any witnesses it calls. Any decision and award or order of the majority of the arbitrators shall be binding upon the parties hereto and judgment thereon may be entered in any court having jurisdiction thereof.

17. INDEMNITY AND REIMBURSEMENT OF LEGAL EXPENSES.

(a) INDEMNITY. The Company will indemnify the Executive (and his legal representatives or other successors) to the fullest extent permitted (including payment of expenses in advance of final disposition of a proceeding) by the laws of the State of California, as in effect at the time of the subject act or omission, or by the Certificate of Incorporation and By-Laws of the Company, as in effect at such time, or by the terms of any indemnification agreement between the Company and the Executive, whichever affords greatest protection to the Executive, and the Executive shall be entitled to the protection of any insurance policies the Company may elect to maintain generally for the benefit of its directors and officers (and to the extent the Company maintains such an insurance policy or policies, the Executive shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company officer or director), against all costs, charges and expenses whatsoever incurred or sustained by him or his legal representatives at the time such costs, charges and expenses are incurred or sustained, in connection with any action, suit or proceeding to which he (or his legal representatives or other successors) may be made a party by reason of his being or having been a director, officer or employee of the Company or any subsidiary thereof, or his serving or having served any other enterprises as a director, officer or employee at the request of the Company.

(b) LEGAL FEES AND EXPENSES. In the event of a dispute between the Executive and the Company with respect to any of the Executive's rights under this Agreement, the Company shall reimburse the Executive for any and all legal fees and related expenses reasonably incurred by him in connection with enforcing such rights if the Executive is successful in obtaining a money judgment against the Company in a final arbitration proceeding. In

addition, the Company shall reimburse Executive for all reasonable legal expenses in connection with the negotiation and review of this Agreement and any amendments thereto.

18. COUNTERPARTS. This Agreement may be executed by either of the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this __ day of _____, 1996, effective as of the Effective Date.

GUESS ?, INC.

By: _____

Title: _____

_____
Paul Marciano

EXHIBIT 10.26

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, made as of _____, 1996, by and between Guess ?, Inc., a Delaware corporation (herein referred to as the "COMPANY"), and Armand Marciano (herein referred to as the "EXECUTIVE").

W I T N E S S E T H:

WHEREAS, the Company intends to make an underwritten initial public offering of its common stock (the "PUBLIC OFFERING"); and

WHEREAS, in connection with the Public Offering, the Company and Executive deem it to be in their respective best interests to enter into an agreement providing for the Company's employment of Executive pursuant to the terms herein stated;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto hereby agree as follows:

1. EMPLOYMENT; POSITION AND DUTIES; EXCLUSIVE SERVICES.

(a) EMPLOYMENT. The Company agrees to employ the Executive, and the Executive agrees to be employed by the Company, for the Term provided in Section 2 below and upon the other terms and conditions hereinafter provided.

(b) POSITION AND DUTIES. During the Term, the Executive (i) agrees to serve as the Senior Executive Vice President and Secretary of the Company and to perform such reasonable duties as may be delineated in the By-Laws of the Company and as may be assigned to him from time to time by the Board of Directors of the Company (the "BOARD"), including, without limitation, primary responsibility for all production functions of the Company, (ii) shall report, as Senior Executive Vice President and Secretary of the Company, only to the Board or to the Chairman of the Board and to the Chief Executive Officer of the Company, (iii) shall be given such authority as is appropriate to carry out the duties described above, it being understood that, in his capacities as Senior Executive Vice President and Secretary of the Company, his duties will be consistent in scope, prestige and authority with the duties of Senior Executive Vice President and Secretary of the Company as demonstrated by the Company's existing practices as of the effective date of this Agreement, and (v) agrees to serve, if elected, at no additional compensation (if the other officers or directors (other than non-employee directors) of the Company also serve at no additional compensation) in the position of officer or director of any subsidiary or affiliate of the Company; PROVIDED, HOWEVER, that such position shall be of no less status relative to such subsidiary or affiliate as the position that the Executive holds pursuant to clause (i) of this Section 1(b) is relative to the Company.

(c) EXCLUSIVE SERVICES. During the Term, the Executive agrees to devote substantially all of his business time, attention, skill and efforts exclusively to the business and affairs of the Company and its subsidiaries and affiliates, and shall perform and

discharge the duties which may be assigned to him from time to time by the Board or the Chief Executive Officer.

(d) RELOCATION. The Company shall not relocate the Executive's principal place of business outside of the Los Angeles metropolitan area without the written consent of the Executive.

2. TERM OF AGREEMENT. The term of employment under this Agreement shall initially be the three-year period commencing on the date of the Public

Offering (the "EFFECTIVE DATE") and ending on the third anniversary of the Effective Date, and shall be automatically extended without further action by either party for a successive or successive one-year period or periods, unless written notice of either party's intention to terminate this Agreement has been given to the other party at least 90 days prior to the expiration of the Term (including any one-year extension thereof). As used in this Agreement, the "TERM" shall mean the initial three-year term plus any extensions thereof as provided in this Section 2.

3. SALARY AND ANNUAL BONUS. The Executive's cash compensation for all services to be rendered by him in any capacity hereunder shall consist of base salary as provided in Section 3(a) and bonus compensation as provided in Section 3(b).

(a) SALARY. The Executive shall be paid a minimum base salary (the "SALARY") at the rate of $650,000 per annum. The Salary shall be payable in accordance with the customary payroll practices for executives of the Company. The amount of Executive's Salary will be reviewed not less often than annually by the Compensation Committee of the Board (the "COMPENSATION COMMITTEE") and may be increased, but not decreased below such amount, on the basis of such review.

(b) ANNUAL BONUS.

(i) GENERAL TERMS. For each calendar year included in whole or in part within the Term, the Executive shall be eligible to earn an annual cash bonus (a "BONUS") based upon the achievement by the Company and its subsidiaries of performance targets established by the Compensation Committee in accordance with the terms of the Company's Annual Incentive Bonus Plan and any successor plan thereto (collectively, the "BONUS PLAN"). The performance goals on the basis of which the Executive's bonus shall be determined shall be no less favorable to the Executive than the goals used to determine the bonus of any other executive of the Company whose annual bonus is based in whole or in part on corporate performance and who participates in the Bonus Plan, and the Compensation Committee shall establish objective criteria to be used to determine the extent to which such performance goals have been met. The Bonus, if any, payable to the Executive in respect of each calendar year will be paid at the same time that bonuses are paid to other participants in the Bonus Plan.

(ii) AMOUNT OF TARGET BONUS. For each calendar year included in whole or in part within the Term, there shall be a target Bonus (a "TARGET BONUS") for the Executive equal to at least 100% of Executive's Salary, at the annual rate in effect at the beginning of such calendar year (pro rated, if less than an entire year).

(iii) DETERMINATION OF THE BONUS AMOUNT. The amount of the actual Bonus for any calendar year to be paid to the Executive will be determined, in the sole discretion of the Compensation Committee, based upon the performance of the Company and its subsidiaries against the goals established by the Compensation Committee pursuant to the Bonus Plan.

4. STOCK OPTIONS. Commencing as of the Effective Date, Executive shall be eligible for option grants under the Company's 1996 Equity Incentive Plan and any successor plan thereto for the Company's executive officers, in accordance with the terms and conditions thereof.

5. PENSION AND WELFARE BENEFITS. During the Term, the Executive will participate in all pension and welfare plans, programs and benefits that are applicable to executives of the Company. The benefits provided to the Executive during the Term, when taken as a whole, shall be no less favorable than the benefits which, when taken as a whole, are provided to any other executive of the Company; PROVIDED that Executive shall continue to receive life insurance coverage in an amount equal to at least one (1) times his then Salary. During the Term, the Executive shall also be entitled to all additional perquisites which the Company provides to its executives. Subject to subsection 7(a)(i)

hereof, from and after the expiration of the Term or, if earlier, the date of termination of Executive's employment hereunder, Executive shall be entitled, during his lifetime, to full Company-paid health and life insurance for himself and his immediate family, at a level no less favorable than that in effect from time to time for the benefit of the Company's senior executive officers.

6. OTHER BENEFITS.

(a) TRAVEL AND BUSINESS-RELATED EXPENSES. During the Term, the Executive shall be reimbursed in accordance with the policies of the Company for traveling and other expenses incurred in the performance of the business of the Company.

(b) AUTOMOBILE. During the Term, the Executive shall be furnished with an automobile either owned or leased by the Company or an automobile allowance, at the discretion of the Company. The Company shall pay or reimburse the Executive for all reasonable expenses associated with the operation of such automobile, including, without limitation, all reasonable maintenance and insurance expenses.

(c) AIRCRAFT. The Executive shall be provided with reasonable access to any aircraft leased or owned by the Company.

(d) COUNTRY CLUB MEMBERSHIP. During the Term, the Company shall pay the Executive's reasonable membership expenses (including fees, dues and related expenses) at such country club or clubs as approved by the Board.

(e) CONSULTING AGREEMENT. Commencing on the expiration of the Term of this Agreement or, if earlier, the date of termination of Executive's employment hereunder for any reason other than death or for Cause (as defined below), and subject to the provisions of Sections 8 and 9 hereof, the Company and Executive shall enter into a two (2) year consulting agreement pursuant to which Executive shall render consulting services to the Company as Executive and the Company shall agree, for which the Company shall pay Executive a consulting fee at an annual rate equal to 50% of Executive's Salary, at the rate in effect immediately prior to the commencement of the consulting period, payable in accordance with the customary payroll practices for executives of the Company or at such other time or times as Executive and the Company shall agree. It is expressly understood that Executive's reporting obligations pursuant to such consulting agreement shall be limited to the Board and the Chief Executive Officer of the Company, or such other person as Executive and the Company shall agree.

7. TERMINATION OF EMPLOYMENT.

(a) TERMINATION FOR CAUSE, RESIGNATION WITHOUT GOOD REASON.

(i) If the Executive's employment is terminated by the Company for Cause (as defined below) or if the Executive resigns from his employment without Good Reason (as defined below), prior to the expiration of the Term, the Executive shall be entitled to receive: (A) the Salary provided for in Section 3(a) as accrued through the date of such resignation or termination; (B) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination or resignation occurs; and (C) any unreimbursed expenses. The Executive shall not accrue or otherwise be eligible to receive Salary payments or to participate in any plans, programs or benefits described in Section 5 hereof with respect to periods after the date of such termination or resignation, and shall not be eligible to receive any Bonus in respect of the year of such termination or resignation or any calendar year following the year in which such termination or resignation occurs. Any Bonus in respect of a year prior to the year in which such termination or resignation occurs shall be payable at such time and in such manner as provided for in Section 3(b) hereof.

(ii) Termination for "CAUSE" shall mean termination by action of the Board because of: (A) Executive's willful and continued failure (other than by

reason of the incapacity of Executive due to physical or mental illness) substantially to perform his duties hereunder; (B) a felony conviction of the Executive or the perpetration by the Executive of a serious dishonest act against the Company or any of its affiliates or subsidiaries; (C) any willful misconduct by the Executive that is materially injurious to the financial condition or business reputation of the Company or any of its affiliates or subsidiaries; or (D) chronic alcoholism or drug abuse which materially affects Executive's performance hereunder;

PROVIDED, HOWEVER, that no event or circumstance shall be considered to constitute Cause within the meaning of this clause (ii) unless the Executive has been given written notice of the events or circumstances constituting Cause and has failed to effect a cure thereof within 60 calendar days following the receipt of such notice.

(iii) Resignation for "GOOD REASON" shall mean the resignation of the Executive because of (A) a material reduction in Executive's responsibilities, duties, authority, status or titles as described in Section 1 above; or (B) failure by the Company to pay or provide Executive when due any compensation, benefits or perquisites to which Executive is entitled pursuant to this Agreement or any other plan, contract or arrangement in which Executive participates or is entitled to participate; PROVIDED, HOWEVER, that no event or circumstance shall be considered to constitute Good Reason within the meaning of this clause (iii) unless the Company has been given written notice of the events or circumstances constituting Good Reason and has failed to effect a cure thereof within 60 calendar days following the receipt of such notice.

(iv) The date of termination of employment by the Company pursuant to this Section 7(a) shall be the date specified in a written notice of termination from the Company to the Executive, which, in the case of a proposed termination to which the 60-day cure period provided for in subsection (ii) above applies shall be no less than 61 days after the delivery of such notice to the Executive. The date of a resignation by the Executive pursuant to this Section 7(a) shall be the date specified in the written notice of resignation from the Executive to the Company, which, in the case of a proposed resignation to which the 60-day cure period provided for in subsection (iii) above applies shall be no less than 61 days after the delivery of such notice to the Company, or, if no date is specified therein, 61 days after receipt by the Company of the written notice of resignation from the Executive.

(b) TERMINATION WITHOUT CAUSE, RESIGNATION FOR GOOD REASON.

(i) If the Executive's employment is terminated by the Company without Cause or if the Executive should resign for Good Reason, prior to the expiration of the Term, he shall be entitled to receive: (A) the Salary provided for in Section 3(a) as accrued through the date of such resignation or termination and continuing for the remainder of the then-effective Term (the "CONTINUATION PERIOD"); (B) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination or resignation occurs; (C) any unreimbursed expenses and (D) a Bonus for the calendar year in which such termination or resignation occurs equal to the Executive's Target Bonus for such year and a Bonus for each subsequent year included in whole or in part within the Continuation Period equal to the Target Bonus for the calendar year in which such termination or resignation occurs; PROVIDED, HOWEVER, that the amount of such Bonus payable in respect of any partial calendar year at the conclusion of the Continuation Period shall be prorated and shall equal the Executive's Bonus for such year multiplied by a fraction, the numerator of which shall equal the number of days in such calendar year up to and including the last day of the

Continuation Period and the denominator of which shall equal the lesser of 365 or the number of days in such final calendar year up to and including the

last day of the Term.

During the Continuation Period, (X) Salary payments to the Executive shall be payable in accordance with the payroll practices of the Company, and (Y) Bonus payments shall be made in respect of each calendar year at the same time that bonuses are paid to participants in the Bonus Plan.

The Executive shall also be entitled to continued participation in the medical, dental and insurance plans and arrangements described in Section 5, on the same terms and conditions as are in effect immediately prior to such termination or resignation, until the earlier to occur of (i) the last day of the Continuation Period and (ii) such time as Executive is entitled to comparable benefits provided by a subsequent employer. Anything herein to the contrary notwithstanding, the Company shall have no obligation to continue to maintain during the Continuation Period any plan or program solely as a result of the provisions of this Agreement. If, during the Continuation Period, Executive is precluded from participating in a plan or program by its terms or applicable law or if the Company for any reason ceases to maintain such plan or program, the Company shall provide Executive with compensation or benefits the aggregate value of which, in the reasonable judgement of the Company, is no less than the aggregate value of the compensation or benefits that Executive would have received under such plan or program had he been eligible to participate therein or had such plan or program continued to be maintained by the Company.

(ii) Except as may be provided under the terms of any applicable grants to the Executive, under any plan or arrangement in which the Executive participates under Section 5 or except as may be otherwise required by applicable law, including, without limitation, the provisions of Section 4980B(f) of the Internal Revenue Code of 1986, as amended (the "CODE"), the Executive shall have no right under this Agreement or any other agreement to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation of employment. Except as otherwise provided in Section 9(d), in the event of a termination or resignation pursuant to this Section 7(b), the Executive shall have no duty of mitigation with respect to amounts payable to him pursuant to this Section 7(b) or other benefits to which he is entitled pursuant hereto; PROVIDED, HOWEVER, that, in the event the Executive breaches any of the provisions of Sections 8 or 9 hereof, the amounts payable to the Executive pursuant to this Section 7(b), or other benefits to which he is entitled pursuant hereto, will be offset or reduced by any compensation, payments or benefits he may receive from a subsequent employer.

(iii) The date of termination of employment by the Company pursuant to this Section 7(b) shall be the date specified in the written notice of termination from the Company to the Executive or, if no date is specified therein, ten business days after receipt by the Executive of the written notice of termination from the Company. The date of a resignation by the Executive pursuant to this Section 7(b) shall be the date specified in the

written notice of resignation from the Executive to the Company or, if no date is specified therein, ten business days after receipt by the Company of the written notice of resignation from the Executive.

(c) DEATH OR PERMANENT DISABILITY. If the Executive's employment hereunder terminates by reason of Executive's death or Permanent Disability prior to expiration of the Term, the Executive (or his beneficiary (or if no such beneficiary is designated, his estate), conservator or guardian, as the case may be) shall be entitled to receive: (i) the Salary provided for in Section 3(a) as accrued through the date of the Executive's death or Permanent Disability; (ii) any Bonus earned but not yet paid in respect of any calendar year preceding the year in which the Executive's death or Permanent Disability occurs; (iii) a Bonus for the calendar year in which the Executive's death or Permanent Disability occurs equal to a pro rata portion of the Executive's Target Bonus for such year, determined on the basis of the number of days in such year through the date of Executive's death or Permanent Disability; and

(iv) any unreimbursed expenses. Bonus payments provided for in this Section 7(c) shall be made at such time and in such manner as is provided in Section 3(b). As used in this Section, the term "BENEFICIARY" includes both the singular and the plural of such term, as may be appropriate. For purposes of this Agreement, "PERMANENT DISABILITY" shall be defined in the same manner as such term or a similar term is defined in any long-term disability policy maintained by the Company for the Executive and in effect on the date of the Executive's termination of employment with the Company, PROVIDED that, in the event that the Company does not maintain a long-term disability policy for the Executive, Permanent Disability shall mean a physical or mental incapacity that substantially prevents him from performing his duties hereunder for a period of 6 consecutive months and that can reasonably be expected to continue indefinitely. Any dispute as to whether or not Executive is disabled within the meaning of the preceding sentence shall be resolved by a physician reasonably satisfactory to Executive and the Company, and the determination of such physician shall be final and binding upon both Executive and the Company.

8. ASSIGNMENT OF INTELLECTUAL PROPERTY RIGHTS.

(a) DEFINITION OF "INVENTIONS". As used herein, the term "INVENTIONS" shall mean all inventions, discoveries, improvements, trade secrets, formulas, techniques, data, programs, systems, specifications, documentations, algorithms, flow charts, logic diagrams, source codes, processes, and other information, including works-in-progress, whether or not subject to patent, trademark, copyright, trade secret, or mask work protection, and whether or not reduced to practice, which are made, created, authored, conceived, or reduced to practice by Executive, either alone or jointly with others, during the period of employment with the Company (including, without limitation, all periods of employment with the Company prior to the Effective Date), whether or not performed on the Company's premises or property, which (A) relate to the actual or anticipated business, activities, research, or investigations of the Company or (B) result from or is suggested by work performed by Executive for the Company (whether or not made or conceived during normal working hours

or on the premises of the Company), or (C) which result, to any extent, from use of the Company's premises or property.

(b) WORK FOR HIRE. Executive expressly acknowledges that all copyrightable aspects of the Inventions (as defined above) are to be considered "works made for hire" within the meaning of the Copyright Act of 1976, as amended (the "ACT"), and that the Company is to be the "author" within the meaning of such Act for all purposes. All such copyrightable works, as well as all copies of such works in whatever medium, fixed or embodied, shall be owned exclusively by the Company as of the date of creation, and Executive hereby expressly disclaims any and all interest in any of such copyrightable works and waives any right of DROIT MORALE or similar rights.

(c) ASSIGNMENT. Executive acknowledges and agrees that all Inventions constitute trade secrets of the Company and shall be the sole property of the Company or any other entity designated by the Company. In the event that title to any or all of the Inventions, or any part or element thereof, may not, by operation of law, vest in the Company, or such Inventions may be found as a matter of law not to be "works made for hire" within the meaning of the Act, Executive hereby conveys and irrevocably assigns to the Company, without further consideration, all his right, title and interest, throughout the universe and in perpetuity, in all Inventions and all copies of them, in whatever medium, fixed or embodied, and in all written or computer records, graphics, diagrams, notes, or reports relating thereto in Executive's possession or under his control, including, with respect to any of the foregoing, all rights of copyright, patent, trademark, trade secret, mask work, and any and all other proprietary rights therein, the right to modify and create derivative works, the right to invoke the benefit of any priority under any international convention, and all rights to register and renew the same. Anything to the contrary notwithstanding, this subsection (c) shall not require

Executive to assign any Invention that would cause this Section 8, or any portion thereof, to be void or unenforceable under Section 2870 of the California Labor Code, and Executive acknowledges receipt of the notification required by Section 2872 of the California Labor Code.

(d) PROPRIETARY NOTICES; NO FILINGS; WAIVER OF MORAL RIGHTS. Executive acknowledges that all Inventions shall, at the sole option of the Company, bear the Company's patent, copyright, trademark, trade secret and mask work notices.

Executive agrees not to file any patent, copyright or trademark applications relating to any Invention except with prior written consent of an authorized representative of the Company (other than Executive).

Executive hereby expressly disclaims any and all interest in any Inventions and waives any right of DROIT MORALE or similar rights, such as rights of integrity or the right to be attributed as the creator of the Invention.

(e) FURTHER ASSURANCES. Executive agrees to assist the Company, or any party designated by the Company, promptly on the Company's request, whether before or after the termination of employment, however such termination may occur, in perfecting, registering, maintaining, and enforcing, in all jurisdictions, the Company's rights in the Inventions by performing all acts and executing all documents and instruments deemed necessary or convenient by the Company, including, by way of illustration and not limitation:

(i) Executing assignments, applications, and other documents and instruments in connection with (A) obtaining patents, copyrights, trademarks, mask works, or other proprietary protections for the Inventions and (B) confirming the assignment to the Company of all right, title and interest in the Inventions or otherwise establishing the Company's exclusive ownership rights therein.

(ii) Cooperating in the prosecution of patent, copyright, trademark and mask work applications, as well as in the enforcement of the Company's rights in the Inventions, including, but not limited to, testifying in court or before any patent, copyright, trademark or mask work registry office or any other administrative body.

Executive will be reimbursed for all out-of-pocket costs reasonably incurred in connection with the foregoing, if such assistance is requested by the Company after the termination of Executive's employment. In addition, to the extent that, after the termination of employment for whatever reason, Executive's technical expertise shall be required in connection with the fulfillment of the aforementioned obligations, the Company will compensate Executive at a reasonable rate for the time actually spent by Executive at the Company's request rendering such assistance.

(f) POWER OF ATTORNEY. Executive hereby irrevocably appoints the Company to be his Attorney-in-Fact to execute any document and to take any action in his name and on his behalf and to generally use his name for the purpose of giving to the Company the full benefit of the assignment provisions set forth above.

(g) DISCLOSURE OF INVENTIONS. Executive will make full and prompt disclosure to the Company of all Inventions subject to assignment to the Company, and all information relating thereto in Executive's possession or under his control as to possible applications and use thereof.

9. NO COMPETING EMPLOYMENT; NO INTERFERENCE; CONFIDENTIALITY; REMEDIES.

(a) NO COMPETING EMPLOYMENT. For so long as the Executive is employed by the Company or any of its affiliates and subsidiaries and continuing

for the two-year period commencing at the expiration of the Term hereof or the earlier termination of Executive's employment for any reason other than death (such period being referred to hereinafter as the "RESTRICTED PERIOD"), the Executive shall not, unless he receives after the

Effective Date the prior written consent of the Board, directly or indirectly, whether as owner, consultant, employee, partner, venturer, agent, through stock ownership, investment of capital, lending of money or property, rendering of services, or otherwise, compete with the Company or any of its affiliates or subsidiaries in any business in which any of them is engaged during the Term hereunder or at the time of the termination of the Executive's employment hereunder, including without limitation the design, manufacture and/or distribution of men's or women's sportswear or accessories (such businesses are hereinafter referred to as the "BUSINESS"), or assist, become interested in or be connected with any corporation, firm, partnership, joint venture, sole proprietorship or other entity which so competes with the Business, except that the provisions of this Section 9(a) will not be deemed breached merely because Executive owns equity in (i) Charles David of California, (ii) California Sunshine Active Wear, Inc.; or (iii) Nantucket Industries, Inc. or because Executive "beneficially owns", either individually or as a member of a "group" (as such terms are used in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), not more than five percent (5%) of the voting securities of any one or more companies that file reports pursuant to the Exchange Act. After the expiration of the Term hereof and during the two-year period referenced above, the restrictions imposed by this paragraph shall not apply to any business in which the Company or its affiliates and subsidiaries were not engaged at the time of termination of the Executive's employment hereunder or to any geographic area in which the Company or its affiliates and subsidiaries were not engaged in the Business at the time of termination.

(b) NO INTERFERENCE. During the Restricted Period, the Executive shall not, for the purpose of competing with the Business, directly or indirectly, whether for his own account or for the account of any other individual, partnership, firm, corporation or other business organization or entity (other than the Company), intentionally solicit, endeavor to entice away from the Company or any of its affiliates or subsidiaries, or otherwise intentionally interfere with the relationship of the Company or any of its affiliates or subsidiaries with any person who is employed by or otherwise engaged to perform services for the Company or any of its affiliates or subsidiaries or influence, or seek to influence, any person or entity who is a customer, client or supplier of the Company or any of its affiliates or subsidiaries to divert their business to any person or entity that competes with the Company or any of its affiliates or subsidiaries, nor shall the Executive participate in the efforts of any individual, partnership, firm, corporation or other business corporation or entity for which he provides services, by which he is employed, or in which he invests, to do so, except that the provisions of this Section 9(b) will not be deemed breached merely because Executive owns equity in (i) Charles David of California, (ii) California Sunshine Active Wear, Inc.; or (iii) Nantucket Industries, Inc. or because Executive "beneficially owns", either individually or as a member of a "group" (as such terms are used in Rule 13d-3 under the Exchange Act), not more than five percent (5%) of the voting securities of any one or more companies that file reports pursuant to the Exchange Act. After the expiration of the Term hereof and during the two-year period referenced in subsection 9(a), the restrictions imposed by this paragraph shall not apply to any business in which the Company or its affiliates and subsidiaries were not engaged at the time of termination of the

Executive's employment hereunder or to any geographic area in which the Company or its affiliates and subsidiaries were not engaged in the Business at the time of termination.

(c) CONFIDENTIAL INFORMATION. The Executive recognizes that the services to be performed by him hereunder, and the services performed by him during prior periods of employment with the Company, are special, unique and extraordinary and that, by reason of such employment, he has acquired and will continue to acquire confidential information and trade secrets concerning the operations of the Company and its affiliates and subsidiaries. Accordingly, the Executive agrees that he will not, except with the prior written consent of the Board or as may be required by law, directly or indirectly, disclose during the Term or any time thereafter any secret or confidential information that he has learned by reason of his association with the Company or any of its affiliates or subsidiaries or use any such information to the detriment of the Company or its affiliates or subsidiaries so long as such confidential information or trade secrets have not been disclosed or are not otherwise in the public domain. The term "CONFIDENTIAL INFORMATION" means any information about the Company, its subsidiaries and affiliates, and their respective clients and customers, not previously disclosed to the public or to the trade by the Company's management, including, without limitation, any products, data, formulae, facilities and methods, trade secrets and other intellectual property, systems, records (including computer records), procedures, manuals, confidential reports, product price lists, client and customer lists, financial information (including the revenues, costs or profits associated with any of the Company's products), business plans, prospects or opportunities.

(d) REMEDIES; SURVIVAL OF AGREEMENT. In the event that the Executive materially breaches any of the covenants set forth in this Section 9 and fails to cure such breach to the reasonable satisfaction of the Company within 10 business days after receipt of written notice thereof to the Executive, any obligation of the Company to make any payment to the Executive pursuant to this Agreement, including without limitation any payments pursuant to Section 7(b) (other than payments of Salary or Bonus earned prior to the date of such breach and unreimbursed expenses), shall be cancelled. In addition, the Executive acknowledges that a breach of any of the covenants contained in this Section 9 may result in material irreparable injury to the Company or its affiliates or subsidiaries for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company shall be entitled, in addition to any other rights or remedies it may have, to seek an injunction enjoining or restraining the Executive from any violation or threatened violation of this Section 9. The Executive's agreement as set forth in this Section shall survive the termination of the Executive's employment under this Agreement.

10. SOURCE OF PAYMENTS. All payments provided under this Agreement, other than payments made pursuant to a benefit plan which may provide otherwise, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. The Executive shall have no right, title, or interest whatever in or to any investments which the Company may

make to aid the Company in meeting its obligations hereunder. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and the Executive or any other person. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

11. TAX WITHHOLDING. Payments to the Executive of all compensation contemplated under this Agreement shall be subject to all applicable legal requirements with respect to the withholding of taxes.

12. NONASSIGNABILITY; BINDING AGREEMENT. Neither this Agreement nor any right, duty, obligation or interest hereunder shall be assignable or delegable by the Executive without the Company's prior written consent; PROVIDED, HOWEVER, that nothing in this Section shall preclude the Executive from designating any of his beneficiaries to receive any benefits payable

hereunder upon his death or disability, or his executors, administrators, or other legal representatives, from assigning any rights hereunder to the person or persons entitled thereto. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto, any successors to or assigns of the Company and the Executive's heirs and the personal representatives of the Executive's estate.

13. AMENDMENT; WAIVER. This Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by the parties hereto. The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

14. NOTICES. Any notice hereunder by either party to the other shall be given in writing by personal delivery, telex, telecopy or certified mail, return receipt requested, to the applicable address set forth below:

(i) To the Company: Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021
Attention: Glenn A. Weinman, Esq.
Telecopier: (213) 744-7840

(ii) To the Executive:Mr. Armand Marciano
Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021
Telecopier: (213) 744-7840

(or such other address as may from time to time be designated by notice by any party hereto for such purpose). Notice shall be deemed given, if by personal delivery, on the date of such delivery or, if by telex or telecopy, on the business day following receipt of answerback or telecopy confirmation or, if by certified mail, on the date shown on the applicable return receipt.

15. CALIFORNIA LAW. This Agreement is to be governed by and interpreted in accordance with the laws of the State of California, without giving effect to the choice-of-law provisions thereof. If, under such law, any portion of this Agreement is at any time deemed to be in conflict with any applicable statute, rule, regulation or ordinance, such portion shall be deemed to be modified or altered to conform thereto or, if that is not possible, to be omitted from this Agreement, and the invalidity of any such portion shall not affect the force, effect and validity of the remaining portion hereof.

16. ARBITRATION. Any controversy or claim arising out of or relating to this Agreement, including, but not limited to, any claim relating to its validity, interpretation, enforceability or breach, or any other claim or controversy arising out of the employment relationship or the commencement or termination of that relationship, including, but not limited to, claims for breach of covenant, breach of implied covenant or intentional infliction of emotional distress, which are not settled by agreement between the parties, shall be settled by arbitration in Los Angeles, California before a board of three arbitrators, one to be selected by the Company, one by Executive and the other by the two persons so selected, all in accordance with the labor arbitration rules of the American Arbitration Association then in effect; PROVIDED, HOWEVER, that the Company shall nevertheless be entitled to seek relief under Section 9 in accordance with Section 9(d). In consideration of the parties' agreement to submit to arbitration disputes with regard to this Agreement and with regard to any alleged contract or tort or other claim arising out of the employment relationship, and in consideration of the anticipated expedition and minimization of expense of this arbitration remedy, each party agrees that the arbitration provisions of this Agreement shall provide it with exclusive remedy, except as provided in the preceding sentence, and each party expressly waives any right it might have to seek redress in any other forum

except as provided herein. The parties further agree that the arbitrators acting hereunder shall be empowered to assess no remedy other than the payment of compensatory damages or an order (including temporary, preliminary and permanent injunctive relief) enforcing the provisions of Section 9. Executive acknowledges that the Company would be irreparably injured by Executive's breach of his obligations under Section 9 and that monetary damages would be inadequate. Subject to the provisions of Section 17(b) hereof, the expenses of the third arbitrator and of a transcript of any arbitration proceeding shall be divided equally between the Company and Executive and each party shall bear the expense of the arbitrator selected by it and of any witnesses it calls. Any decision and award or order of the majority of the arbitrators shall be binding upon the parties hereto and judgment thereon may be entered in any court having jurisdiction thereof.

17. INDEMNITY AND REIMBURSEMENT OF LEGAL EXPENSES.

(a) INDEMNITY. The Company will indemnify the Executive (and his legal representatives or other successors) to the fullest extent permitted (including payment of expenses in advance of final disposition of a proceeding) by the laws of the State of California, as in effect at the time of the subject act or omission, or by the Certificate of Incorporation and By-Laws of the Company, as in effect at such time, or by the terms of any indemnification agreement between the Company and the Executive, whichever affords greatest protection to the Executive, and the Executive shall be entitled to the protection of any insurance policies the Company may elect to maintain generally for the benefit of its directors and officers (and to the extent the Company maintains such an insurance policy or policies, the Executive shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company officer or director), against all costs, charges and expenses whatsoever incurred or sustained by him or his legal representatives at the time such costs, charges and expenses are incurred or sustained, in connection with any action, suit or proceeding to which he (or his legal representatives or other successors) may be made a party by reason of his being or having been a director, officer or employee of the Company or any subsidiary thereof, or his serving or having served any other enterprises as a director, officer or employee at the request of the Company.

(b) LEGAL FEES AND EXPENSES. In the event of a dispute between the Executive and the Company with respect to any of the Executive's rights under this Agreement, the Company shall reimburse the Executive for any and all legal fees and related expenses reasonably incurred by him in connection with enforcing such rights if the Executive is successful in obtaining a money judgment against the Company in a final arbitration proceeding. In addition, the Company shall reimburse Executive for all reasonable legal expenses in connection with the negotiation and review of this Agreement and any amendments thereto.

18. COUNTERPARTS. This Agreement may be executed by either of the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this ____ day of _____, 1996, effective as of the Effective Date.

GUESS ?, INC.

By: _____
Title: _____

____

Armand Marciano

EXHIBIT 10.27

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT is made and entered into as of August 1, 1996, between Guess ?, Inc., a Delaware corporation (the "COMPANY"), and the stockholders of the Company indicated on the signature pages hereto (being referred to herein from time to time, collectively, as the "TRUSTS", and each individually, as a "TRUST").

R E C I T A L S

WHEREAS, on the date hereof, each Trust is the owner of the respective number of shares of the Company's Common Stock, par value $.01 per share (the "COMMON STOCK"), set forth opposite the name of such Trust on the signature pages hereto;

WHEREAS, the Trusts have approved various actions in connection with a proposed initial public offering of up to 10,580,000 shares of the Common Stock, including the approval of a Restated Certificate of Incorporation;

WHEREAS, the parties hereto desire to provide for the registration under the Securities Act of 1933, as amended (the "SECURITIES ACT"), of the shares of Common Stock owned by the Trusts as of the date hereof, on the terms and conditions set forth herein; and

WHEREAS, the Board of Directors of the Company has authorized the officers of the Company to execute and deliver this Agreement in the name of and on behalf of the Company.

NOW, THEREFORE, in consideration of the mutual covenants, promises, representations, warranties and conditions set forth in this Agreement, the parties hereto, intending to be legally bound, hereby agree as follows:

1. DEFINITIONS.

For purposes of this Agreement, in addition to the definitions set forth above and elsewhere herein, the following terms shall have the following respective meanings:

"AFFILIATE" of a Holder shall mean a person who controls, is controlled by or is under common control with such Holder or, the spouse or children (or a trust exclusively for the benefit of a spouse and/or children) of such Holder or, in the case of a Holder which is a trust, the trustee and the beneficiaries of such trust.

"CLEARANCE NOTICE" shall have the meaning specified in the last paragraph of Section 5.

"COMMISSION" shall mean the United States Securities and Exchange Commission and any successor agency thereto.

"COMMON STOCK" shall have the meaning specified in the first Recital.

"COMPANY" shall have the meaning specified in the Preamble.

"DEMAND NOTICE" shall have the meaning specified in Section 2(a).

"DEMAND REGISTRATION" shall have the meaning specified in Section

2(a).

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"HOLDER" shall mean a Trust or any transferee or assignee to whom the rights under this Agreement are assigned in accordance with the provisions of Section 10 hereof.

"MAXIMUM OFFERING SIZE" shall have the meaning specified in Section 3(b)(ii).

"OCCURRENCE NOTICE" shall have the meaning specified in the last paragraph of Section 5.

"PERSON" shall mean an individual, partnership, corporation, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or agency or political subdivision thereof, or other entity.

"REGISTRABLE STOCK" shall mean: (i) the Common Stock beneficially owned by the Trusts on the date hereof; (ii) any Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right, option or other convertible security which is issued as) a dividend or other distribution with respect to, or in exchange for, or in replacement of, the Common Stock owned by the Trusts on the date hereof and (iii) any Common Stock issued by way of a stock split of the Common Stock referred to in clauses (i) or (ii) above. For purposes of this Agreement, any Registrable Stock shall cease to be Registrable Stock when (x) a registration statement covering such Registrable Stock has been declared effective and such Registrable Stock has been disposed of pursuant to such effective registration statement or (y) such Registrable Stock is sold or distributed pursuant to Rule 144 (or any similar or successor provision (but not Rule 144A)) under the Securities Act.

"REQUESTING HOLDERS" shall have the meaning specified in Section 2(a).

"SECURITIES ACT" shall have the meaning specified in the third Recital.

"SHELF REGISTRATION" shall have the meaning specified in Section 2(b)(i).

"SHELF REGISTRATION STATEMENT" shall have the meaning specified in Section 2(b)(ii).

"TRUST" or "TRUSTS" shall have the meaning specified in the Preamble.

"UNDERWRITTEN OFFERING" or "UNDERWRITTEN REGISTRATION" shall mean a registration in which securities of the Company are sold to an underwriter or underwriters for reoffering to the public.

2. DEMAND REGISTRATION.

(a) At any time commencing 180 days after the date of this Agreement, the Holders of at least [10%] of the then outstanding Registrable Stock (the "REQUESTING HOLDERS") may request, in a written notice to the Company (a "DEMAND NOTICE"), that the Company file a registration statement under the Securities Act covering the registration of at least [10%] of the Registrable Stock then outstanding in the manner specified in such notice (a "DEMAND REGISTRATION"). Promptly following receipt of a Demand Notice (such request to state the number

of shares of Registrable Stock to be so included and the intended method of distribution), the Company shall (x) within twenty (20) days notify all other Holders of such request in writing and (y) use its best efforts to cause to be registered under the Securities Act all Registrable Stock that the Requesting Holders and such other Holders have, within ten (10) days after the Company has given such notice, requested be registered in accordance with the manner of distribution specified in the Demand Notice by the Requesting Holders.

(b) (i) If any Demand Registration is requested to be a "shelf" registration by the Requesting Holders of the Registrable Stock to be included in such Demand Registration, the Company shall cause to be filed pursuant to Rule 415 under the Securities Act a shelf Registration Statement (a "SHELF REGISTRATION STATEMENT") with respect to the number of shares of Registrable Stock requested to be so registered (a "SHELF REGISTRATION"). The Company shall keep such Shelf Registration Statement continuously effective for a period of at least one year following the date on which the Commission declares such Shelf Registration Statement effective under the Securities Act (subject to extension pursuant to Section 4(a) and the last paragraph of Section 5 hereof), or such shorter period ending when all of the shares of Registrable Stock covered by such Shelf Registration Statement have been sold.

(ii) Upon the occurrence of any event that would cause the Shelf Registration Statement (A) to contain a material misstatement or omission or (B) to be not effective and usable for resale of Registrable Securities during the period that such Shelf Registration Statement is required to be effective and usable, the Company shall promptly file an amendment to the Shelf Registration Statement, in the case of clause (A), correcting any such misstatement or omission and, in the case of either clause (A) or (B), use its best efforts to cause such amendment to be declared effective and such Shelf Registration Statement to become usable as soon as practicable thereafter.

(c) If the Requesting Holders intend to have the Registrable Stock distributed by means of an Underwritten Offering, the Company shall include such information in the written notice referred to in clause (x) of Section 2(a) above. In such event, the right of any Holder to include its Registrable Stock in such registration shall be conditioned upon such Holder's participation in such Underwritten Offering and the inclusion of such Holder's Registrable Stock in the Underwritten Offering (unless otherwise mutually agreed by a majority in interest of the Requesting Holders and such Holder) to the extent provided below. All Holders proposing to distribute Registrable Stock through such Underwritten Offering shall enter into an underwriting agreement in customary form with the underwriter or underwriters. Such underwriter or underwriters shall be selected by a majority in interest of the Requesting Holders and shall be approved by the Company, which approval shall not be unreasonably withheld; PROVIDED, that (i) all of the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such underwriters shall also be made to and for the benefit of such Holders of Registrable Stock, (ii) any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement shall be conditions precedent to the obligations of such Holders of Registrable Stock, and (iii) no Holder shall be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such Holder, the Registrable Stock of such Holder and such Holder's intended method of distribution and any other representations required by law or reasonably required by the underwriter. If any Holder of Registrable Stock disapproves of the terms of the underwriting, such Holder may elect to withdraw all its Registrable Stock by written notice to the Company, the managing underwriter and the Initiating Holders. The securities so withdrawn shall also be withdrawn from registration and shall remain Registrable Stock.

(d) Notwithstanding any provision of this Agreement to the contrary,

(i) the Company shall not be required to effect a Demand Registration during the period starting 30 days prior to the estimated date of filing by the Company of, and ending on a date 180 days following the effective date of, a registration statement pertaining to a public offering of equity securities of the Company;

(ii) the Company shall not be required to effect more than one Demand Registration in any six-month period;

(iii) if, in the written opinion of the managing underwriter of any Underwritten Offering, the total amount of Registrable Stock to be registered in connection with a Demand Registration will exceed the maximum amount of the Company's securities that can be marketed (1) at a price reasonably related to the then current market value of such securities or (2) without otherwise materially and adversely affecting the entire offering, then the Company shall include in such Demand Registration the number of shares of Registrable Stock that in the opinion of such managing underwriter can be sold within a price range acceptable to the Holders of a majority of the Registrable Stock requested to be included in such Demand Registration by the Requesting Holders pursuant to Section 2(a), allocated pro rata among the Requesting Holders on the basis of the relative number of shares of Registrable Stock each such Holder has requested to be included in such registration; and

(iv) if the Company shall furnish to the Requesting Holders a certificate signed by the president of the Company stating that in the good faith opinion of a majority of the Board of Directors of the Company such registration would interfere with any material transaction then being pursued by the Company, then the Company's obligation to use its best efforts to file a registration statement shall be deferred for a period not to exceed 60 days.

(e) The Company shall not be obligated to effect more than three Demand Registrations; PROVIDED, HOWEVER, that a Demand Registration shall not be deemed to have been effected for purposes of this Section 2(e) unless: (i) it has been declared effective by the Commission; (ii) it has remained effective for the period set forth in Section 5(a) and (iii) the offering of Registrable Stock pursuant to such registration is not subject to any stop order, injunction or other order or requirement of the Commission (other than any such stop order, injunction or other requirement of the Commission prompted by any act or omission of a Requesting Holder).

3. INCIDENTAL REGISTRATION.

(a) Subject to Section 8 and the other terms and conditions set forth in this Section 3, if at any time the Company determines that it shall file a registration statement under the Securities Act (other than a registration statement on Form S-4 or S-8 or filed in connection with an exchange offer or an offering of securities solely to the Company's existing stockholders) on any form that would also permit the registration of the Registrable Stock and such filing is to be on the Company's behalf and/or on behalf of selling holders (including Requesting Holders) of its securities for the sale of shares of Common Stock, the

Company shall each such time promptly give each Holder written notice of such determination setting forth the date on which the Company proposes to file such registration statement, which date shall be no earlier than 30 days from the

date of such notice, and advising such Holders of their right to have Registrable Stock included in such registration. Upon the written request of any Holder received by the Company no later than 30 days after the date of the Company's notice, the Company shall use its best efforts to cause to be registered under the Securities Act all of the Registrable Stock that each such Holder has so requested to be registered.

(b) The Company's obligation to include Registrable Stock in a registration statement pursuant to Section 3(a) above is subject to the following limitations, conditions and qualifications:

(i) If, at any time after giving written notice of its determination to register its securities and prior to the effective date of any registration statement filed in connection with such registration, the Company shall determine for any reason not to register such securities, the Company may, at its election, give written notice of such determination to the Holders and thereupon the Company shall be relieved of its obligation to use any efforts to register any Registrable Stock in connection with such aborted registration; PROVIDED, that the provisions of this clause (i) shall not affect the obligations of the Company with respect to a Demand Registration.

(ii) If, in the written opinion of the managing underwriter (or, in the case of a non-Underwritten Offering, in the opinion of a majority of the directors of the Company), the total amount of such securities to be so registered, including such Registrable Stock, will exceed the maximum amount (the "MAXIMUM OFFERING SIZE") of the Company's securities that can be marketed (1) at a price reasonably related to the then current market value of such securities or (2) without otherwise materially and adversely affecting the entire offering, then the Company shall include in such registration, in the following priority up to the Maximum Offering Size: (x) first, all of the securities proposed to be registered for offer and sale by the Company, (y) second, all of the Registrable Stock requested to be included in such registration by the Holders pursuant to this Section, allocated, if necessary for such offering not to exceed the Maximum Offering Size, pro rata among the Holders requesting registration of such Registrable Stock on the basis of the relative number of shares of Registrable Stock each such Holder has requested to be included in such registration, and (z) third, any other securities of the Company requested to be registered by any other parties.

4. HOLDBACK AGREEMENTS.

(a) Each Holder of Registrable Stock agrees, if so required (pursuant to a timely notice) by the Company or the managing underwriter in any Underwritten Offering, not to effect any public sale of distribution of securities of the Company of the same class as the securities included in such Underwritten Registration, or any securities convertible into or exchangeable to exercisable therefor, during the 30 days prior to and the 180 days after any Underwritten Registration pursuant to Section 2 or Section 3 has become effective, except as part of such Underwritten Registration. Notwithstanding the foregoing sentence, each Holder of Registrable Stock subject to the foregoing sentence shall be entitled to sell securities during the foregoing period in a private sale. If a request is made pursuant to this Section 4(a), then the time period during which a Shelf Registration is required to remain continuously effective for such Holders of Registrable Stock pursuant to the terms of this Agreement shall be extended 210 days.

None of the foregoing provisions of this Section 4(a) shall apply to any Holder of Registrable Stock if such Holder is prevented by applicable statute or regulation from entering into any such agreement; PROVIDED, that any such Holder shall undertake not to effect any public sale or distribution of the Registrable Stock unless such Holder has provided 45 days' prior written notice of such sale or distribution to the underwriter or underwriters.

(b) The Company agrees (i) if so required by the managing underwriter of any Underwritten Offering, not to effect any public sale or distribution of securities of the same class as the securities included in such Underwritten Registration or securities convertible into or exchangeable or exercisable therefor during the 30 days prior to and the 90 days after any Underwritten Registration pursuant to Section 2 or Section 3 has become effective, except as part of such Underwritten Registration and except pursuant to registrations on Form S-4 or S-8 or any successor form to such Forms, and (ii) to use its best efforts to cause each holder of equity securities included in any Underwritten Registration or any securities convertible into or exchangeable or exercisable therefor, in each case purchased from the Company at any time after the date of this Agreement (other than in a public offering) to agree not to effect any public sale or distribution of or otherwise dispose of shares of equity securities (or such other securities) during such period except as part of such Underwritten Registration.

5. REGISTRATION PROCEDURES. Whenever required under Section 2 or Section 3 of this Agreement to use its best efforts to effect the registration of any Registrable Stock, the Company shall, as expeditiously as possible:

(a) prepare and file with the Commission a registration statement with respect to such Registrable Stock and use its best efforts to cause such registration

statement to become and remain effective for the period of the distribution contemplated thereby;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Stock covered by such registration statement;

(c) furnish to each Holder such numbers of copies of the registration statement and each prospectus included therein (including each preliminary prospectus and any amendments or supplements thereto) in conformity with the requirements of the Securities Act and such other documents and information as they may reasonably request;

(d) use its best efforts to register or qualify the Registrable Stock covered by such registration statement under the securities or blue sky laws of such jurisdictions as shall be reasonably appropriate for the distribution of the Registrable Stock covered by the registration statement; PROVIDED, HOWEVER, that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business in or to file a general consent to service of process in any jurisdiction wherein it would not but for the requirements of this paragraph (d) be obligated to do so;

(e) promptly notify (but in any event within five business days) the selling Holders of Registrable Stock, their counsel and the managing underwriters, if any, and confirm such notice in writing, (i) when a prospectus or any prospectus supplement has been filed and, with respect to a registration statement or any post-effective amendment, when the same has become effective, (ii) of any request by the Commission or any other Federal or state governmental authority for amendments or supplements to a registration statement or related prospectus or for additional information, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of a registration statement or of any order preventing or suspending the use of any prospectus or the initiation of any proceedings by an Person for that purpose, (iv) if at any time the representations and warranties of the Company contained in any agreement (including any underwriting agreement) contemplated by Section 6(l) below ease to be true

and correct, (v) of the receipt by the Company of any notification with respect to the suspension of the qualification of exempting from qualification of a registration statement or any of the Registrable Stock for offer or sale under the securities or blue sky laws of any jurisdiction, or the contemplation, initiation or threatening of any proceeding for such purpose, (vi) of the happening of any event that makes any statement made in such registration statement or related

prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in such registration statement, prospectus or documents so that it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made (in the case of the prospectus only) not misleading, and (vii) of the Company's reasonable determination that a post-effective amendment to a registration statement would be appropriate;

(f) furnish, at the request of any Holder requesting registration of Registrable Stock pursuant to Section 2, if the method of distribution is by means of an Underwritten Offering, on the date that the shares of Registrable Stock are delivered to the underwriters for sale pursuant to such registration, or if such Registrable Stock is not being sold through underwriters, on the date that the registration statement with respect to such shares of Registrable Stock becomes effective: (i) a signed opinion, dated such date, of the independent legal counsel representing the Company for the purpose of such registration, addressed to the underwriters, if any, and if such Registrable Stock is not being sold through underwriters, then to the Holders making such request, as to such matters as such underwriters or the Holders holding a majority of the Registrable Stock included in such registration, as the case may be, may reasonably request and as would be customary in such a transaction and (ii) letters dated such date and the date the offering is priced from the independent certified public accountants of the Company, addressed to the underwriters, if any, and if such Registrable Stock is not being sold through underwriters, then to the Holders making such request (1) stating that they are independent certified public accountants within the meaning of the Securities Act and that, in the opinion of such accountants, the financial statements and other financial data of the Company included in the registration statement or the prospectus, or any amendment or supplement thereto, comply as to form in all material respects with the applicable accounting requirements of the Securities Act and (2) covering such other financial matters (including information as to the period ending not more than five business days prior to the date of such letters) as such underwriters or the Holders holding a majority of the Registrable Stock included in such registration, as the case may be, may reasonably request and as would be customary in such a transaction;

(g) enter into customary agreements (including, if the method of distribution is by means of an Underwritten Offering an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of the Registrable Stock to be so included in the registration statement;

(h) As promptly as practicable upon the occurrence of any event contemplated by paragraph (e)(vi) above, prepare a supplement or post-effective amendment to the registration statement or a supplement to the related prospectus or any documents incorporated or deemed to be incorporated therein by reference, or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Stock being sold thereunder, such

prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances;

(i) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission; and

(j) use its best efforts to list the Registrable Stock covered by such registration statement with any securities exchange on which the Common Stock of the Company is then listed.

For purposes of Sections 5(a) and 5(b), the period of distribution of Registrable Stock in a firm commitment Underwritten Offering shall be deemed to extend until each underwriter has completed the distribution of all securities purchased by it, and the period of distribution of Registrable Stock in any other registration shall be deemed to extend until the earlier of the sale of all Registrable Stock covered thereby and three months after the effective date thereof.

Each Holder of Registrable Stock agrees that, upon receipt of written notice from the Company of the happening of any event of the kind described in Section 5(e)(ii), 5(e)(iii), 5(e)(v), 5(e)(vi) or 5(e)(vii) (an "Occurrence Notice"), such Holder will forthwith discontinue disposition of such Registrable Stock covered by such registration statement or prospectus until such Holder's receipt of the copies of the supplemented or amended registration statement or prospectus contemplated by Section 5(h), or until it receives notice in writing (a "Clearance Notice") from the Company that the use of the applicable prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such prospectus, and, if so directed by the Company, such Holder will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holder's possession, of the prospectus covering such Registrable Stock current at the time of receipt of such notice. If the Company shall deliver an Occurrence Notice in connection with any registered sale of Registered Stock, the time periods mentioned in Section 2 hereof shall be extended by the number of days during such periods from and including the date of delivery of such Occurrence Notice to and including the date when each seller of Registrable Stock covered by such registration statement receives (x) the copies of the supplemented or amended prospectus contemplated by Section 5(h) hereof or (y) a Clearance Notice, as the case may be.

6. FURNISH INFORMATION. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement that the Holders shall furnish to the Company such information regarding themselves, the Registrable Stock held by them, and the intended method of disposition of such securities as the Company shall reasonably request and as shall be required in connection with the action to be taken by the Company.

7. EXPENSES OF REGISTRATION. All expenses incurred in connection with each registration pursuant to Section 2 and Section 3 of this Agreement, excluding underwriters' discounts and commissions, but including without limitation all registration, filing and qualification fees, word processing, duplicating, printers' and accounting fees (including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance), fees of the National Association of Securities Dealers, Inc. or listing fees, messenger and delivery expenses, all fees and expenses of complying with state securities or blue sky laws, fees and disbursements of counsel for the Company, and the fees and disbursements of one counsel for the selling Holders (which counsel shall be selected by the Holders holding a majority in interest of the Registrable Stock being registered), shall be paid by the Company; PROVIDED, HOWEVER, that if a registration request

pursuant to Section 2 of this Agreement is subsequently withdrawn at the request of the Holders of a number of shares of Registrable Stock such that the remaining Holders requesting registration would not have been able to request registration under the provisions of Section 2 of this Agreement, such withdrawing Holders shall bear such expenses unless such withdrawing Holders shall forfeit their right to one Demand Registration pursuant to Section 2 of this Agreement. The Holders shall bear and pay the underwriting commissions and discounts applicable to securities offered for their account in connection with any registrations, filings and qualifications made pursuant to this Agreement.

8. UNDERWRITING REQUIREMENTS. In connection with any Underwritten Offering, the Company shall not be required under Section 3 to include shares of Registrable Stock in such Underwritten Offering unless the Holders of such Registrable Stock accept the terms of the underwriting of such offering that have been reasonably agreed upon between the Company and the underwriters selected by the Company.

9. RULE 144 AND RULE 144A INFORMATION. With a view to making available the benefits of certain rules and regulations of the Commission which may at any time permit the sale of the Registrable Stock to the public without registration,

(a) at all times after ninety (90) days after any registration statement covering a public offering of securities of the Company under the Securities Act shall have become effective, the Company agrees to:

(i) make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act;

(ii) use its best efforts to file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(iii) furnish to each Holder of Registrable Stock promptly upon request a written statement by the Company as to its compliance with the reporting requirements of such Rule 144 and of the Securities Act and the Exchange Act, a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed by the Company as such Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing such Holder to sell any Registrable Stock without registration; and

(b) at all times during which the Company is neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, it will provide, upon the written request of any Holder of Registrable Stock in written form (as promptly as practicable and in any event within 15 business days), to any prospective buyer of such stock designated by such Holder, all information required by Rule 144A(d)(4)(i) of the General Regulations promulgated by the Commission under the Securities Act.

10. INDEMNIFICATION. In the event any Registrable Stock is included in a registration statement under this Agreement:

(a) The Company shall indemnify and hold harmless each Holder and its directors and officers, each person who participates in the offering of such Registrable Stock, including underwriters (as defined in the Securities Act), and each person, if any, who controls such Holder or participating person within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, as incurred, to which they may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or proceedings in respect thereof) arise out of or are based on any untrue or alleged untrue

statement of any material fact contained in such registration statement on the effective date thereof (including any prospectus filed under Rule 424 under the Securities Act or any amendments or supplements thereto) or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse each such Holder and its directors and officers, such participating person or controlling person for any legal or other expenses as reasonably incurred by them (but not in excess of expenses incurred in respect of one counsel for all of them unless there is

an actual conflict of interest between any indemnified parties, which indemnified parties may be represented by separate counsel) in connection with investigating or defending any such loss, claim, damage, liability or action; PROVIDED, HOWEVER, that the indemnity agreement contained in this Section 10(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company; PROVIDED, FURTHER, that the Company shall not be liable to any Holder or its directors and officers, participating person or controlling person in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, its directors and officers, participating person or controlling person. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of any such Holder, its directors and officers, participating person or controlling person, and shall survive the transfer of such securities by such Holder.

(b) Each Holder requesting or joining in a registration shall, severally and not jointly, indemnify and hold harmless the Company, each of its directors and officers, each person, if any, who controls the Company within the meaning of the Securities Act, and any underwriter against any losses, claims, damages or liabilities, joint or several, to which the Company or any such director, officer, controlling person or underwriter may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or proceedings in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in such registration statement on the effective date thereof (including any prospectus filed under Rule 424 under the Securities Act or any amendments or supplements thereto) or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with information furnished by or on behalf of such Holder expressly for use in connection with such registration; and each such Holder shall reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person or underwriter (but not in excess of expenses incurred in respect of one counsel for all of them unless there is an actual conflict of interest between any indemnified parties, which indemnified parties may be represented by separate counsel) in connection with investigating or defending any such loss, claim, damage, liability or action; PROVIDED, HOWEVER, that the indemnity agreement contained in this Section 10(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of such

Holder, and PROVIDED, FURTHER, that the liability of each Holder hereunder shall be limited to the proportion of any such loss, claim, damage, liability or expense which is equal to the proportion that the net proceeds from the sale of the Registrable Stock sold by such Holder under such registration statement bears to the total net proceeds from the sale of all securities sold thereunder, but not in any event to exceed the net proceeds received by such Holder from the sale of Registrable Stock covered by such registration statement.

(c) Promptly after receipt by an indemnified party under this Section 10 of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against any indemnifying party under this Section 10, notify the indemnifying party in writing of the commencement thereof and the indemnifying party shall have the right to participate in and assume the defense thereof with counsel selected by the indemnifying party and reasonably satisfactory to the indemnified party; PROVIDED, HOWEVER, that an indemnified party shall have the right to retain its own counsel, with all fees and expenses thereof to be paid by such indemnified party, and to be apprised of all progress in any proceeding the defense of which has been assumed by the indemnifying party. The failure to notify an indemnifying party promptly of the commencement of any such action, if and to the extent prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section, but the omission so to notify the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section.

(d) To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified party in connection with the actions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the losses, claims, damages or liabilities referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 10(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

11. TRANSFER OF REGISTRATION RIGHTS. The registration rights of any Holder under this Agreement with respect to any Registrable Stock may be transferred to (a) any transferee of such Registrable Stock who at any time acquires at least twenty per cent (20%) of such Holder's shares of Registrable Stock (adjusted for stock splits and stock consolidations after the effective

date of this Agreement) or (b) any Affiliate of such Holder; PROVIDED, HOWEVER, that (i) the transferring Holder shall give the Company written notice at or prior to the time of such transfer stating the name and address of the transferee and identifying the securities with respect to which the rights under this Agreement are being transferred; (ii) such transferee shall agree in writing, in form and substance reasonably satisfactory to the Company, to be bound as a Holder by the provisions of this Agreement; and (iii) immediately following such transfer the further disposition of such securities by such transferee is restricted under the Securities Act. Except as set forth in this Section 11, no transfer of Registrable Stock shall cause such Registrable Stock to lose such status.

12. SECURITIES HELD BY THE COMPANY OR ITS AFFILIATES. Whenever the consent or approval of Holders of a specified percentage of Registrable Stock is required hereunder, Registrable Stock held by the Company or its affiliates (as such term is defined in Rule 405 under the Securities Act) (other than the Trusts) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

13. SUCCESSORS AND ASSIGNS. Subject to Section 11, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto. Except as expressly provided in this Agreement, nothing in this Agreement, express or implied, is intended to confer upon any person other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement.

14. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

15. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

16. TITLES. The titles of the Sections of this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

17. NOTICES. Any notice required or permitted under this Agreement shall be in writing and shall be delivered in person or mailed by certified or registered mail, return receipt requested, or faxed to (a) the Company at the address set forth below its signature hereof, (b) to each Holder at the address set forth below its signature hereof or (c) to a Holder at the address therefor as set forth in the Company's records or, in any such case, at such other address or addresses as shall have been furnished in writing by such party to the others. The giving of any notice required hereunder may be waived in writing by the parties hereto. Every notice or other communication hereunder shall be deemed to have been duly given or served on the date on which personally delivered, or on the date actually received, if sent by mail or fax, with receipt acknowledged.

18. AMENDMENTS AND WAIVERS. Any provision of this Agreement may be amended and the observance of any provision of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and each Holder of Registrable Stock. Any amendment or waiver effected in accordance with this Section 17 shall be binding upon each Holder of Registrable Securities, each future Holder and the Company.

19. SEVERABILITY. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provisions shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provisions were so excluded and shall be enforceable in accordance with its

terms.

20. ENTIRE AGREEMENT. All prior agreements of the parties concerning the subject matter of this Agreement are expressly superseded by this Agreement. This Agreement contains the entire Agreement of the parties concerning the subject matter hereof. Any oral representations or modifications of this Agreement shall be of no effect.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

GUESS ?, INC.

By:

Name:
Title:
1444 South Alameda Street
Los Angeles, California 90021

shares of Common Stock
- -----

MAURICE MARCIANO TRUST
(1995 RESTATEMENT)

By:

Maurice Marciano
Trustee

c/o Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021

shares of Common Stock
- -----

PAUL MARCIANO TRUST
UNDER TRUST DATED FEBRUARY 20, 1986

By:

Paul Marciano
Trustee

c/o Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021

shares of Common Stock
- -----

ARMAND MARCIANO TRUST
UNDER TRUST DATED FEBRUARY 20, 1986

By:

Armand Marciano
Trustee

c/o Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021

shares of Common Stock — MAURICE MARCIANO 1996 GRANTOR RETAINED ANNUITY TRUST

By:

Paul Marciano
Co-Trustee

By:

Gary W. Hampar
Co-Trustee

c/o Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021

shares of Common Stock — PAUL MARCIANO 1996 GRANTOR RETAINED ANNUITY TRUST

By:

Maurice Marciano
Co-Trustee

By:

Joseph H. Sugerman
Co-Trustee

c/o Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021

shares of Common Stock — ARMAND MARCIANO 1996 GRANTOR RETAINED ANNUITY TRUST

By:

Maurice Marciano
Co-Trustee

By:

Marc E. Petas
Co-Trustee

c/o Guess ?, Inc.
1444 South Alameda Street
Los Angeles, California 90021

INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT (the "AGREEMENT"), dated as of August __, 1996, among the following parties (the "PARTIES"): GUESS ?, INC., a Delaware corporation (the "COMPANY"), the stockholders of the Company indicated on the signature pages hereto (such stockholders being referred to herein, collectively, as the "PRINCIPAL STOCKHOLDERS").

R E C I T A L S

WHEREAS, the Parties, together with Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated, as representatives of the U.S. Underwriters named therein (the "U.S. UNDERWRITERS"), are parties to a U.S. Purchase Agreement of even date herewith (the "U.S. PURCHASE AGREEMENT") and, together with Merrill Lynch International and Morgan Stanley & Co. International Limited, as representatives of the Managers named therein (the "MANAGERS"), are parties to an International Purchase Agreement of even date herewith (the "INTERNATIONAL PURCHASE AGREEMENT," and, together with the U.S. Purchase Agreement, being referred to herein, collectively, as the "PURCHASE AGREEMENTS");

WHEREAS, pursuant to the terms of the Purchase Agreements, the Principal Stockholders may be required to indemnify the U.S. Underwriters or the Managers (as the case may be) with respect to, or contribute to, certain liabilities arising out of the offering of the common stock of the Company, par value $.01 per share, contemplated by the Purchase Agreements;

WHEREAS, the Company wishes to indemnify and advance expenses to the Principal Stockholders in connection with any proceedings and liabilities arising from the obligation of the Principal Stockholders under the Purchase Agreements in the manner provided for herein.

NOW, THEREFORE, in consideration of the foregoing recitals, the agreements contained herein and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Parties hereby agree as follows:

Section 1. INDEMNIFICATION AND ADVANCEMENT OF EXPENSES. In respect of any proceeding by any Indemnified Party (as defined in the U.S. Purchase Agreement or the International Purchase Agreement, as the case may be) against a Principal Stockholder in respect of (i) any breach of a representation or warranty contained in Section 1 of each of the Purchase Agreements and (ii) indemnification under Section 6 or contribution under Section 7 of each of the Purchase Agreements:

(a) Subject to the provisions of paragraph (b) of this Section 1,

(i) the Company agrees to advance the reasonable expenses incurred by such Principal Stockholder in respect of such proceeding including those incurred by such Principal Stockholder for separate counsel and to reimburse any such reasonable expenses not advanced by the Company in the first instance;

(ii) the Company agrees to indemnify such Principal Stockholder in respect of any liability incurred in or as a result of such proceeding; and

(iii) the authorization by the Company's stockholders of the agreement to indemnify contained herein and the execution of this Agreement constitute a conclusive determination that indemnification is due to such Principal Stockholder in such circumstances and the specific stockholder

authorization for such indemnification.

(b) The Company shall not indemnify such Principal Stockholder from or on account of:

(i) such stockholder's acts or omissions finally adjudged to be intentional misconduct or a knowing violation of law;

(ii) such stockholder's conduct finally adjudged to be in violation of Section 174 of the General Corporation Law of the State of Delaware; or

(iii) any transaction with respect to which it was finally adjudged that such stockholder personally received a benefit in money, property, or services to which such stockholder was not legally entitled.

Section 2. SUCCESSORS AND ASSIGNS. This Agreement and all obligations, rights and remedies of the Parties hereunder shall be binding upon and inure to the benefit of their respective legal representatives, successors and assigns.

Section 3. ENTIRE AGREEMENT. Each of the Parties acknowledge that there are no other agreements or representations, either oral or written, express or implied, not embodied or referenced in this Agreement, which represents a complete integration of all prior and contemporaneous agreements and understandings of the parties hereto with respect to the subject matter hereof.

Section 4. GOVERNING LAW. This agreement shall be construed in accordance with the laws of the State of New York, without regard to the choice of law rules thereof, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 5. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same instrument.

[Signature pages follow]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

GUESS ?, INC.

By: _____
Name:
Title:

MAURICE MARCIANO TRUST
(1995 RESTATEMENT)

By: _____
Maurice Marciano
Trustee

PAUL MARCIANO TRUST

UNDER TRUST DATED FEBRUARY 20, 1986

By:

Paul Marciano
Trustee

ARMAND MARCIANO TRUST
UNDER TRUST DATED FEBRUARY 20, 1986

By:

Armand Marciano
Trustee

EXHIBIT 10.29

[FORM OF]

INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT, dated as of _____ (this "AGREEMENT"), by and between Guess ?, Inc., a Delaware corporation (the "COMPANY"), and _____ ("INDEMNITEE").

W I T N E S S E T H:

WHEREAS, the Company desires to attract and retain the services of able persons to serve as officers and directors of the Company and to indemnify certain of its officers, and its directors, except as otherwise provided in Section 3 of this Agreement, to the fullest extent of the law;

WHEREAS, the Company and Indemnitee recognize the increasing difficulty in obtaining officers' and directors' liability insurance, the significant increase in the cost of such insurance and the general reduction in the coverage of such insurance;

WHEREAS, the Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting officers and directors to expensive litigation risks at the same time that liability insurance has been severely limited; and

WHEREAS, neither Indemnitee nor the Company regards statutory indemnification protection as adequate given the present circumstances;

NOW, THEREFORE, the Company and Indemnitee hereby agree as follows:

1. (a) THIRD-PARTY PROCEEDINGS. The Company shall indemnify Indemnitee to the full extent of Delaware law, except as otherwise provided in Section 3 of this Agreement, if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending or completed suit, action, proceeding, arbitration or alternative dispute resolution mechanism, investigation, administrative hearing, whether civil, criminal, administrative or investigative (any such suit, action, proceeding, arbitration or alternative dispute resolution mechanism, investigation, administrative hearing being referred to herein as a "PROCEEDING") (other than an action by or in the right of the Company) by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company or any subsidiary of the Company, by reason of any action or inaction on the part of Indemnitee while an officer or director of the Company or any subsidiary of the Company or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another Person (as defined in Section 6(d)), against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement (if such settlement is approved in

advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred by Indemnitee in connection with such action or proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and its stockholders, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

(b) PROCEEDINGS BY OR IN THE RIGHT OF THE COMPANY. The Company shall indemnify Indemnitee to the full extent of Delaware law, except as otherwise provided in Section 3 of this Agreement, if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending or completed Proceeding

by or in the right of the Company or any subsidiary of the Company to procure a judgment in its favor by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company or any subsidiary of the Company, by reason of any action or inaction on the part of Indemnitee while an officer or director of the Company or any subsidiary of the Company or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another Person, against expenses (including attorneys' fees) and, to the fullest extent permitted by Delaware law, amounts paid in settlement (if such settlement is approved by the Company, which approval shall not be unreasonably withheld), in each case to the extent actually and reasonably incurred by Indemnitee in connection with the defense or settlement of such Proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and its stockholders, except that no indemnification shall be made in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable to the Company and its stockholders in the performance of Indemnitee's duty to the Company and its stockholders unless and only to the extent that the Court of Chancery of the State of Delaware, or the court in which such action or proceeding shall have been brought or is pending, shall determine that in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for expenses, and then only to the extent that the court shall determine.

(c) SELECTION OF COUNSEL. In the event the Company shall be obligated under Section 1(a) or (b) hereof to pay the expenses of any Proceeding against Indemnitee, the Company shall be entitled to assume the defense of such Proceeding, with counsel approved by Indemnitee (who shall not unreasonably withhold such approval), upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Proceeding, PROVIDED, THAT, (i) Indemnitee shall have the right to employ his counsel in any such proceeding at Indemnitee's expense; and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized in writing by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense and shall have notified the Company in

writing thereof, (C) Indemnitee shall have reasonably concluded that there may be a conflict of interest between Indemnitee and other indemnitees of the Company being represented by counsel retained by the Company in the same proceeding and shall have notified the Company in writing thereof or (D) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

2. CONTRIBUTION. If, when Indemnitee has met the applicable standard of conduct, the indemnification provisions set forth in Section 1 should, under applicable law, be to any extent unenforceable, then the Company agrees that it shall be treated as though it is or was a party to the threatened, pending or completed Proceeding in which Indemnitee is or was involved and that the Company shall contribute to the amounts paid or payable by Indemnitee as a result of such expenses (including attorneys' fees), judgments in third-party Proceedings, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and Indemnitee on the other in connection with such action or inaction, or alleged action or inaction, as well as any other relevant equitable considerations.

For purposes of this Section 2, the relative benefit to the Company shall be deemed to be the benefits accruing to it and to all of its directors, officers, employees and agents (other than Indemnitee), as a group and treated as one entity, and the relative benefit to Indemnitee shall be deemed to be an amount not greater than Indemnitee's yearly base salary or director's

compensation, as the case may be, from the Company during the first year in which the action or inaction, or alleged action or inaction, forming the basis for the threatened, pending or contemplated Proceeding was alleged to have occurred plus the amount, if any, of monetary benefit and other consideration received by Indemnitee in the transaction(s) that gave rise to such Proceeding. The relative fault shall be determined by reference to, among other things, the fault of the Company and all of its directors, officers, employees and agents (other than Indemnitee), as a group and treated as one entity, and such group's relative intent, knowledge, access to information and opportunity to have altered or prevented the action or inaction, or alleged action or inaction, forming the basis for the threatened, pending or contemplated Proceeding, and Indemnitee's relative fault in light of such factors on the other hand.

3. LIMITATIONS TO RIGHTS OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES. Except as otherwise provided in Sections 9 and 12 of this Agreement, Indemnitee shall not be entitled to indemnification or advancement of expenses under this Agreement:

(a) with respect to any Proceeding initiated, brought or made by Indemnitee (i) against the Company, unless a Change in Control (as defined in Section 5(b) of this Agreement) shall have occurred, or (ii) against any person other than the Company, unless approved in advance by the board of directors of the Company (the "BOARD");

(b) on account of any suit in which it shall be determined by final judgment by a court having jurisdiction in the matter that Indemnitee intentionally caused or intentionally contributed to the injury complained of with the knowledge that such injury would occur;

(c) on account of Indemnitee's conduct which shall be determined by final judgment by a court having jurisdiction in the matter that Indemnitee was knowingly fraudulent, deliberately dishonest, engaged in willful misconduct or that Indemnitee received an improper personal benefit;

(d) for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, to the extent that a court of competent jurisdiction determines that any of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous;

(e) for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) which have been paid directly to Indemnitee by an insurance carrier under a policy of officers' and directors' liability insurance maintained by the Company;

(f) for expenses or the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), or any similar successor statute; or

(g) if it shall be determined by final judgment by a court having jurisdiction in the matter that such indemnification is not lawful.

4. PROCEDURE FOR DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION. (a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification, a determination with respect to Indemnitee's entitlement thereto shall be made in

the specific case as follows:

(i) if a Change in Control (as defined in Section 5(b) of this Agreement) shall have occurred, by Independent Counsel (as defined in Section 5(a) of this Agreement) in a written opinion to the Board, a copy of which shall be delivered to Indemnitee (unless Indemnitee shall request that such determination be

made by the Board or the Stockholders, in which case the determination shall be made in the manner provided below in clause (ii)); or

(ii) if a Change in Control shall not have occurred, (A) by the Board by a majority vote of a quorum consisting of disinterested directors, (B) if a quorum of the Board consisting of disinterested directors is not obtainable or, even if obtainable, such quorum of disinterested directors so directs, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee or (C) by the stockholders of the Company.

(c) If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information that is not privileged or otherwise protected from disclosure and that is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(d) If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within 7 days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection. Such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 5(a) of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. If such written objection is made, the Independent Counsel so selected may not serve as Independent Counsel unless and until a court has determined that such objection is without merit. If, twenty (20) days after submission by Indemnitee of a written request for indemnification pursuant to Section 4 hereof, no Independent Counsel shall have been selected or if selected, shall have been objected to, in accordance with this Section 4(d), either the Company or Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate. The person with respect to whom an

objection is favorably resolved or the person so appointed shall act as Independent Counsel under Section 4 hereof. The Company shall pay any and all

reasonable fees and expenses incident to the procedures of this Section 4, including reasonable fees and expenses incurred by such Independent Counsel regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 12 of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

5. (a) "Independent Counsel" means a law firm or a member of a law firm that neither at the time in question, nor in the five years immediately preceding such time has been retained to represent (i) the Company or Indemnitee in any matter material to either such party or (ii) any other party to the proceeding giving rise to a claim for indemnification under this Agreement. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing under the law of the State of Delaware, would be precluded from representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

(b) "Change in Control" means the occurrence of any of the following events:

(i) the Company is merged, consolidated or reorganized into or with another corporation or other entity, and as a result of such merger, consolidation or reorganization less than a majority of the combined voting power of the then-outstanding securities of such corporation or entity immediately after such transaction are held in the aggregate by the holders of voting stock immediately prior to such transaction;

(ii) the Company sells or otherwise transfers all or substantially all of its assets to another corporation or other entity in which, after giving effect to such sale or transfer, the holders of voting stock of the Company immediately prior to such sale or transfer hold in the aggregate less than a majority of the combined voting power of the then-outstanding securities of such other corporation;

(iii) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report or item therein), each as promulgated pursuant to the Exchange Act, disclosing that any person or entity, other than any shareholder of the Company (and its affiliates) owning 10% or more of the Company's voting stock on the date hereof, has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 50% or more of the combined voting power of the Company's voting stock; or

(iv) if during any period of two consecutive years individuals who at the beginning of any such period constitute the Board cease for any reason to constitute at least a majority thereof; PROVIDED, HOWEVER, that for purposes of this clause (iv) each director of the Company who is first elected, or first nominated for election by the Company's stockholders, by a vote of at least majority of the directors of the Company (or a committee of the Board) then still in office who were directors of the Company at the beginning of any such period shall be deemed to have been a director of the Company at the beginning of such period.

Notwithstanding the provisions of clause (iii) above, unless otherwise determined in the specific case by majority vote of the Board, a "Change in Control" shall not be deemed to have occurred solely because the Company, any subsidiary or any employee stock ownership plan or any other employee benefit plan of the Company or any subsidiary either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1 or Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act disclosing beneficial ownership by it of shares of voting stock of the Company, whether in excess of 50% or otherwise, or

because the Company reports that a change in control of the Company has occurred or will occur in the future by reason of such beneficial ownership.

6. PRESUMPTIONS AND EFFECT OF CERTAIN PROCEEDINGS. (a) In making a determination with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 4 of this Agreement, and the Company shall bear the burden of proof to rebut that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption.

(b) The termination of any Proceeding or of any claim, issue or matter therein by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal action or proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(c) Indemnitee's conduct with respect to an employee benefit plan for a purpose he reasonably believed to be in the interests of the participants in and beneficiaries of the plan shall be deemed to be conduct that Indemnitee reasonably believed to be in or not opposed to the best interests of the Company.

(d) For purposes of any determination hereunder, Indemnitee shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, or, with respect to any criminal action or

proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action was based on (i) the records or books of account of the Company or another Person, including financial statements, (ii) information supplied to him by the officers of the Company or another Person in the course of their duties, (iii) the advice of legal counsel for the Company or another Person, or (iv) information or records given or reports made to the Company or another Person by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Company or another Person. The term "another Person" as used in this Agreement shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as an officer, director, partner, trustee, employee or agent. The provisions of this Section 6(d) shall not be deemed to limit in any way the other circumstances in which Indemnitee may be deemed to have met the applicable standard of conduct set forth in Section 1.

7. SUCCESS ON MERITS OR OTHERWISE. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any action, suit or proceeding described in Section 1 hereof, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the investigation, defense, settlement or appeal thereof. For purposes of this Section 7, the term "successful on the merits or otherwise" shall include, but not be limited to, (i) any termination, withdrawal or dismissal (with or without prejudice) of any Proceeding against Indemnitee without any express finding of liability or guilt against him, (ii) the expiration of 180 days after the making of any claim or threat of a Proceeding without the institution of the same and without any promise of payment or payment made to induce a settlement or (iii) the settlement of any Proceeding under Section 1, pursuant to which Indemnitee pays less than $25,000.

8. PARTIAL INDEMNIFICATION. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the claims, damages, expenses (including attorneys' fees), judgments, fines or amounts paid in settlement by Indemnitee in connection with the investigation, defense, settlement or appeal of any Proceeding specified in Section 1, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. The party or parties making the determination shall determine the portion (if less than all) of such claims, damages, expenses (including attorneys' fees), judgments, fines or amounts paid in settlement for which Indemnitee is entitled to indemnification under this Agreement.

9. COSTS. All the costs of making the determination required by Section 4 hereof shall be borne solely by the Company, including, but not limited to, the costs of legal counsel, proxy solicitations and judicial determinations. The Company shall also be solely responsible for paying (i) all reasonable expenses incurred by Indemnitee to enforce this Agreement, including, but not limited to, the costs incurred by Indemnitee to obtain court-ordered indemnification pursuant to Section 12, regardless of the outcome of any such

application or proceeding, and (ii) all costs of defending any Proceedings challenging payments to Indemnitee under this Agreement.

10. ADVANCE OF EXPENSES. The Company shall advance all expenses incurred by or on behalf of Indemnitee in connection with any Proceeding within twenty (20) days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the expenses incurred by Indemnitee and shall include or be preceded or accompanied by an undertaking by or on behalf of Indemnitee to repay any expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such expenses, which undertaking shall be accepted by or on behalf of the Company without reference to the financial ability of Indemnitee to make repayment, and without the pledging of any security by Indemnitee. Notwithstanding Indemnitee's above-described rights to advancement of expenses, no advance of expenses shall be made in the circumstances proscribed by Section 3(a). Notwithstanding any other provision of this Agreement, if Indemnitee requests an adjudication or an award in arbitration pursuant to the provisions of Section 12 below in order to establish an entitlement to indemnification or advancement of expenses, any determination made pursuant to Section 4 of this Agreement that Indemnitee is not entitled to indemnification or to receive advancement of expenses shall not be binding and Indemnitee shall not be required to reimburse the Company for any expense advance unless and until a final judicial determination or award in arbitration is made with respect thereto as to which all rights of appeal therefrom have been exhausted or lapsed.

11. INDEMNIFICATION FOR EXPENSES OF A WITNESS. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee or agent of the Company or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another Person, a witness in any Proceeding, whether instituted by the Company or any other party, and to which Indemnitee is not a party, he shall be indemnified against all expenses actually and reasonably incurred by him or on his behalf in connection therewith.

12. ENFORCEMENT. (a) If a claim for indemnification or advancement of expenses made to the Company pursuant to Section 3 or 10 is not timely paid in full to Indemnitee by the Company as required by Section 3 or 10, respectively, Indemnitee shall be entitled to seek judicial enforcement of the Company's obligations to make such payment in an appropriate court of the state of Delaware or any other court of competent jurisdiction. In the event that a determination is made that Indemnitee is not entitled to indemnification or advancement of expenses hereunder, (i) Indemnitee may seek a de novo

adjudication of Indemnitee's entitlement to such indemnification or advancement either, at Indemnitee's sole option, in (A) an appropriate court of the state of Delaware or any other court of competent jurisdiction or (B) an arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association; (ii) any such judicial proceeding or arbitration shall

not in any way be prejudiced by, and Indemnitee shall not be prejudiced in any way by such adverse determination; and (iii) in any such judicial proceeding or arbitration the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advancement of expenses under this Agreement. Indemnitee shall commence a proceeding seeking an adjudication of Indemnitee's right to indemnification or advancement of expenses pursuant to the preceding sentence within one year following the date on which Indemnitiee first has the right to commence such proceeding pursuant to this Section 12(a); PROVIDED, HOWEVER, that the foregoing time limitation shall not apply in respect of a proceeding brought by Indemnitee to enforce Indemnitee's rights under Section 7 hereof.

(b) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to the provisions of Section 12(a) that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(c) In any action brought under this Section 12, it shall be a defense to a claim for indemnification (other than an action brought to enforce a claim for advancement of expenses) that Indemnitee has not met the standards of conduct which make it permissible under Delaware law for the Company to indemnify Indemnitee for the amount claimed. The burden of proving such defense shall be on the Company.

(d) It is the intent of the Company that Indemnitee not be required to incur the expenses associated with the enforcement of his rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to Indemnitee hereunder. Accordingly, if it should appear to Indemnitee that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding designed (or having the effect of being designed) to deny, or to recover from, Indemnitee the benefits intended to be provided to Indemnitee hereunder, the Company irrevocably authorizes Indemnitee from time to time to retain counsel of his choice, at the expense of the Company as hereafter provided, to represent Indemnitee in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Regardless of the outcome thereof, but subject to Indemnitee having acted in good faith, the Company shall pay and be solely responsible for any and all costs, charges and expenses, including attorneys' and others' fees and expenses, incurred by Indemnitee (i) as a result of the Company's failure to perform this Agreement or any provision thereof or (ii) as a result of the Company's or any person's contesting the validity or enforceability of this Agreement or any provision thereof as aforesaid.

13. LIABILITY INSURANCE AND FUNDING. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee

shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any director or officer of the Company. If, at the time of the receipt of a notice of a claim pursuant to Section 4 hereof, the Company has directors' and officers' liability

insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies. The Company shall have no obligation to obtain or maintain such insurance.

14. MERGER OR CONSOLIDATION. In the event that the Company shall be a constituent corporation in a merger, consolidation or other reorganization, the Company shall require as a condition thereto, (a) if it shall not be the surviving, resulting or other corporation therein, the surviving, resulting or acquiring corporation to agree to indemnify Indemnitee to the full extent provided herein, and (b) whether or not the Company is the surviving, resulting or acquiring corporation therein, Indemnitee shall also stand in the same position under this Agreement with respect to the surviving, resulting or acquiring corporation as Indemnitee would have with respect to the Company if the Company's separate existence had continued.

15. NONDISCLOSURE OF PAYMENTS. Except as expressly required by federal securities laws or other applicable laws, Indemnitee shall not disclose any payments made under this Agreement, whether indemnification or advancement of expenses, unless prior written approval of the Company is obtained. Any payments to Indemnitee that must be disclosed shall, unless otherwise required by law, be described only in the Company proxy or information statements relating to special and/or annual meetings of the Company's stockholders, and the Company shall afford Indemnitee the reasonable opportunity to review all such disclosures and, if requested, to explain in such statement any mitigating circumstances regarding the events reported.

16. NONEXCLUSIVITY AND SEVERABILITY; SUBROGATION. (a) The right to indemnification and advancement of expenses provided by this Agreement shall not be exclusive of any other rights to which Indemnitee may be entitled under the Restated Certificate of Incorporation or Bylaws of the Company, Delaware law, any other statute, insurance policy, agreement, vote of stockholders of the Company or of the Board (or otherwise), both as to actions in his official capacity and as to actions in another capacity while holding such office, and shall continue after Indemnitee has ceased to be a director or officer of the Company and shall inure to the benefit of his heirs, executors and administrators; PROVIDED, HOWEVER, that to the extent Indemnitee otherwise would have any greater right to indemnification and/or advancement of expenses under any provision of the Restated Certificate of Incorporation or the Bylaws of the Company, Indemnitee shall be deemed to have such greater right pursuant to this Agreement; and, PROVIDED, FURTHER, that to the extent that any change is made to the Delaware law (whether by legislative action or judicial decision), the Restated Certificate of Incorporation and/or the Bylaws that permits any greater right to indemnification and/or advancement of expenses than that provided under this Agreement as of the date hereof,

Indemnitee shall be deemed to have such greater right pursuant to this Agreement. No amendment, alteration, or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee prior to such amendment, alteration, or repeal.

(b) If any provision or provisions of this Agreement are held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, all portions of any provisions of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any provisions of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or

unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all actions necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

17. NOTICES. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the party addressed, on the date of such receipt, or (ii) if mailed by domestic certified or registered mail with postage prepaid, on the third business day after the date postmarked. Addresses for notice to either party are as shown on the signature page of this Agreement, or as subsequently modified by written notice.

18. MUTUAL ACKNOWLEDGMENT. Both the Company and Indemnitee acknowledge that in certain instances federal law or public policy may override applicable state law and prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise. For example, the Company and Indemnitee acknowledge that the Securities and Exchange Commission (the "COMMISSION") has taken the position that indemnification is not permissible for liabilities arising under certain federal securities laws, and federal legislation prohibits indemnification for certain ERISA violations. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

19. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the state of Delaware, without giving effect to principles of conflict of laws.

20. CONSENT TO JURISDICTION. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the state of Delaware for all purposes in connection with any action, suit or proceeding which arises out of or relates to this Agreement.

21. IDENTICAL COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforcement is sought needs to be produced to evidence the existence of this Agreement.

22. MODIFICATION; SURVIVAL. This Agreement may be modified only by an instrument in writing signed by both parties hereto. The provisions of this Agreement shall survive the death, disability or incapacity of Indemnitee or the termination of Indemnitee's service as a director or officer of the Company and shall inure to the benefit of Indemnitee's heirs, executors and administrators.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

INDEMNITEE

By:

Guess ?, Inc.

By:

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Name:	Name:
Address:	Title:
[Address]	1444 South Alameda Street Los Angeles, California 90021

EXHIBIT 21.1

LIST OF SUBSIDIARIES

Entity	Jurisdiction of Incorporation
Guess? Europe, B.V.	The Netherlands
Guess Italia S.r.l.	Italy
Ranche Limited	Hong Kong
Newtimes Guess?, Limited	British Virgin Islands
Newtimes Guess?, Limited	Hong Kong

EXHIBIT 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
Guess ?, Inc.:

The audits referred to in our report dated March 1, 1996 included the related financial statement schedule as of and for each of the years in the three-year period ended December 31, 1995, included in the registration statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the use of our reports included herein and to the reference to our firm under the headings "Selected Financial Data" and "Experts" in the prospectus.

KPMG PEAT MARWICK LLP

Los Angeles, California
July 29, 1996

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<F1>INCLUDES NET ROYALTIES OF $25.3 MILLION
<F2>INCLUDES NON-RECURRING CHARGES RELATED TO THE WRITEDOWN OF OPERATING ASSETS TO BE DISPOSED OF IN CONTEMPLATION OF THE OFFERINGS AGGREGATING $3.6 MILLION RELATING TO (A) DISPOSAL OF TWO CURRENTLY ACTIVE REMOVE WAREHOUSE AND PRODUCTION FACILITIES, WHICH ARE NOT EXPECTED TO BE USED IN THE COMPANY'S OPERATIONS AFTER THE OFFERINGS, RESULTING IN A NET BOOK LOSS OF $2.4 MILLION, AND (B) THE NET BOOK LOSS OF $1.2 MILLION INCURRED BY THE COMPANY IN CONNECTION WITH THE SALE OF ONE OF ITS AIRCRAFT IN CONTEMPLATION OF THE OFFERINGS.
</FN>