

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(MARK ONE)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the quarterly period ended March 29, 1998

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the transition period from to

Commission File Number 1-11893

GUESS ?, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

95-3679695

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

1444 South Alameda Street
Los Angeles, California, 90021

(Address of principal executive offices)

(213) 765-3100

(Registrant's telephone number, including area code)

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

Yes X

No

As of May 11, 1998, the registrant had 42,902,035 shares of Common Stock, \$0.01 par value, outstanding.

GUESS ?, INC.
FORM 10-Q
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GUESS ?, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(Unaudited)

	MAR 29, 1998	DEC 31, 1997*
	-----	-----
ASSETS		
Current assets:		
Cash	\$7,696	\$8,204
Receivables:		
Trade receivables, net of reserves	33,606	17,080
Royalties	16,021	14,663
Other	5,020	6,032
	-----	-----
Inventories, net of reserves (note 3)	54,647	37,775
Prepaid taxes	84,967	92,081
Prepaid expenses and other current assets	10,284	14,705
	-----	-----
Total current assets	15,571	14,857
	-----	-----
Total current assets	173,165	167,622
Property and equipment, at cost, net of accumulated depreciation and amortization	92,557	98,170
Other assets, at cost, net of accumulated amortization	21,454	22,022
	-----	-----
	\$287,176	\$287,814
	-----	-----
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of notes payable and long-term debt	\$217	\$217
Accounts payable	32,193	38,323
Accrued expenses	13,999	22,412
	-----	-----
Total current liabilities	46,409	60,952
Notes payable and long-term debt, net of current installments	147,700	141,300
Other liabilities	9,737	10,232
	-----	-----
	203,846	212,484
	-----	-----
Stockholders' equity:		
Preferred stock, \$0.01 par value. Authorized 10,000,000 shares; no shares issued and outstanding	---	---
Common stock, \$0.01 par value. Authorized 150,000,000 shares; issued 62,932,827 and 62,928,827 shares, outstanding 42,902,035 and 42,898,035 shares at March 29, 1998 and December 31, 1997, respectively, 20,030,792 shares in Treasury	137	137
Paid-in capital	158,589	158,589
Retained earnings	75,382	67,432
Foreign currency translation adjustment	(2)	(52)
Treasury stock, 20,030,792 shares repurchased	(150,776)	(150,776)
	-----	-----
Net stockholders' equity	83,330	75,330
	-----	-----
	\$287,176	\$287,814
	-----	-----
	-----	-----

See accompanying notes to condensed consolidated financial statements
*Condensed from Audited Balance Sheet

	First Quarter Ended	
	March 29, 1998	March 30, 1997
Net revenue:		
Product sales	\$100,205	\$122,668
Net royalties	10,563	13,068
	-----	-----
Cost of sales	110,768	135,736
	64,316	74,152
	-----	-----
Gross profit	46,452	61,584
Selling, general & administrative expenses	30,024	34,731
	-----	-----
Earnings from operations	16,428	26,853
Non-operating income (expense):		
Interest, net	(3,182)	(3,226)
Other, net	(212)	119
	-----	-----
	(3,394)	(3,107)
Earnings before income taxes and cumulative effect of change in accounting principle	13,034	23,746
Income taxes	5,083	9,694
	-----	-----
Earnings before cumulative effect of change in accounting principle	7,951	14,052
Cumulative effect of change in accounting for product display fixtures, net of income tax expense of \$2,707 (note 4)	---	3,961
	-----	-----
Net earnings	\$7,951	\$18,013
	-----	-----
Basic and diluted earnings per share:		

Earnings before cumulative effect of change in accounting principle	\$0.19	\$0.33
Cumulative effect of change in accounting for product display fixtures, net of income tax expense of \$2,707 (note 4)	---	\$0.09
	-----	-----
Net earnings - basic and diluted	\$0.19	\$0.42
	-----	-----
Weighted average number of common shares outstanding - basic	42,902	42,898
	-----	-----
Weighted average number of common shares outstanding - dilutive	42,903	42,912
	-----	-----

See accompanying notes to condensed consolidated financial statements

	First Quarter Ended	
	March 29, 1998	March 30, 1997
Cash flows from operating activities:		
Net earnings	\$7,951	\$18,013
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization of property and equipment	5,693	4,690
Amortization of goodwill	199	82
Cumulative effect of change in accounting principle	---	(3,961)
Foreign currency translation adjustment	65	(85)
Undistributed equity method earnings	128	(119)
(Increase) decrease in:		
Receivables	(16,873)	(22,608)
Inventories	7,114	(7,150)
Prepaid taxes	4,421	249
Prepaid expenses and other current assets	(713)	(117)
Other assets	147	528
Increase (decrease) in:		
Accounts payable	(6,131)	3,935
Accrued expenses	(7,744)	(8,931)
Income taxes payable	(64)	9,052
Net cash used in operating activities	(5,807)	(6,422)
Cash flows from investing activities:		
Purchases of property and equipment	(1,334)	(6,866)
Proceeds from the disposition of property and equipment	---	2
Lease incentives granted	154	55
Acquisition of license	94	(2,023)
Decrease in short-term investments	---	4,401
Increase in long-term investments	---	(1,420)
Net cash used in investing activities	(1,086)	(5,851)
Cash flows from financing activities:		
Proceeds from notes payable and long-term debt	40,400	31,114
Repayments of notes payable and long-term debt	(34,000)	(21,737)
Net cash provided by financing activities	6,400	9,377
Effect of exchange rates on cash	(15)	(141)
Net decrease in cash	(508)	(3,037)
Cash, beginning of period	8,204	8,800
Cash, end of period	\$7,696	\$5,763

	First Quarter Ended	
	March 29, 1998	March 30, 1997
Supplemental disclosures:		
Cash paid during the period for:		
Interest	\$6,951	\$6,551
Income taxes	303	1,328

Supplemental disclosure of noncash investing activities:

During the quarter ended March 30, 1997, the Company issued 216,216 shares of common stock with a value of \$3.0 million in connection with the acquisition of a license.

See accompanying notes to condensed consolidated financial statements

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GUESS ?, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 29, 1998

(1) Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial position as of March 29, 1998 and December 31, 1997, and the results of operations and cash flows for the three months ended March 29, 1998 and March 30, 1997. Operating results for the first quarter ended March 29, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, they have been condensed and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1997.

(2) Summary of Significant Accounting Policies

Earnings Per Share

Basic earnings per share represents net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share represents net earnings divided by the weighted-average number of shares outstanding, inclusive of the dilutive impact of common stock equivalents. During the first quarters ended March 29, 1998 and March 30, 1997, the difference between basic and diluted earnings per share was due to the dilutive impact of options to purchase common stock.

Recently Issued Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income ("SFAS 130"). SFAS 130 establishes standards for the reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. SFAS 130 requires all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement displayed with the same prominence as other financial statements. SFAS 130 does not require a specific financial statement format but requires an enterprise to display an amount representing total comprehensive income for the period covered by that financial statement. SFAS 130 requires an enterprise to (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. SFAS 130 is effective for fiscal years beginning after December 15, 1997.

The Company adopted SFAS 130 on January 1, 1998. The only difference between "net earnings" and "comprehensive income" is the impact from foreign currency translation adjustments. Accordingly, a reconciliation of comprehensive income for the first quarters ended March 29, 1998 and March 30, 1997 is as follows (in thousands):

	March 29, 1998	March 30, 1997
	-----	-----
Net earnings	\$7,951	\$18,013
Foreign currency translation adjustment.	(65)	85
	-----	-----
Comprehensive income	\$7,886	\$18,098
	-----	-----

In June 1997, FASB issued Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information ("SFAS 131"). SFAS 131 established standards for public business enterprises to report information about operating segments in annual financial statements and requires those enterprises report selected information about operating segments in interim financial reports issued to shareholders. It also established standards for related disclosures about products and services, geographic areas and major customers. This statement supersedes FASB Statement No. 14, Financial Reporting for Segments of a Business Enterprise, but retains the requirement to report information about major customers. It amends FASB Statement No. 94, Consolidation of All Majority-Owned Subsidiaries, to remove the special disclosure requirement for previously unconsolidated subsidiaries. SFAS 131 requires, among other items, that a public business enterprise report a measure of segment profit or loss, certain specific revenue and expense items, and segment assets information about the revenues derived from the enterprise's products or services and major customers. SFAS 131 also requires the enterprise report descriptive information about the way the operating segments were determined and the products and services provided by the operating segments. SFAS 131 is effective for financial statements for periods beginning after December 15, 1997. In the initial year of application, comparative information for earlier years is to be restated. SFAS 131 need not be applied to interim financial statements in the initial year of application, but comparative information for interim periods in the initial year of application is to be reported in financial statements for interim periods in the second year of application. Management believes the adoption of SFAS 131 will not have a material impact on the Company's financial reporting.

On April 3, 1998, the American Institute of Certified Public Accountants ("AICPA") Accounting Standards Executive Committee issued Statement of Position 98-5 ("SOP 98-5"), "Reporting on the Costs of Start-up Activities." SOP 98-5 requires that costs of start-up activities, including organization costs and retail store openings, be expensed as incurred. SOP 98-5 is effective for financial statements for fiscal years beginning after December 15, 1998. Earlier application is encouraged. Restatement of previously issued financial statements is not permitted. In the fiscal year in which the SOP 98-5 is first adopted, the application should be reported as a cumulative effect of a change in accounting principle. The Company has not yet determined whether the application of SOP 98-5 will have a material impact upon the Company's financial position or results of operations.

(3) Inventories

The components of inventory consist of the following (in thousands):

	Mar 29 1998	Dec 31, 1997
	-----	-----
Raw materials	\$10,073	\$12,988
Work in progress.	13,385	8,059
Finished goods.	61,509	71,034
	-----	-----
	\$84,967	\$92,081
	-----	-----
	-----	-----

(4) Change in Accounting Principle

Effective January 1, 1997, the Company changed its method of accounting for product display fixtures located in its wholesale customers' retail stores, whereby the costs for such fixtures will be capitalized and depreciated over five years using the straight-line method. In prior years, these costs had been expensed as incurred. The Company believes this method will more closely match the long-term benefit the product display fixtures provide with the expected future revenue from such fixtures. The cumulative effect of the change in accounting principle, recorded in the first quarter of 1997, is calculated based upon the retroactive effect of applying the new accounting method to prior year fixture acquisitions. The cumulative effect of the change in accounting principle of \$4.0 million (after reduction of income tax expense of \$2.7 million) is included in earnings for the quarter ended March 30, 1997.

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

IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

Various forward-looking statements have been made in this Form 10-Q. Forward-looking statements may also be in the registrant's other reports filed under the Securities Exchange Act of 1934, in its press releases and in other documents. In addition, from time to time, the registrant through its management may make oral forward-looking statements.

Forward-looking statements generally refer to future plans and performance, and are identified by the words "believe," "expect," "anticipate," "optimistic," "intend," "aim," "will" or similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which refer only as of the date of which they are made. The registrant undertakes no obligation to update publicly or revise any forward-looking statements. Reference is hereby made to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 for a discussion of important factors that could cause actual results to differ materially from the forward-looking statements.

OVERVIEW

The Company derives its net revenue from the sale of Guess men's, women's and girl's apparel worldwide to wholesale customers and distributors; from 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 located primarily in the United States; and from net royalties via worldwide licensing activities.

RESULTS OF OPERATIONS

NET REVENUE. Net revenue decreased \$24.9 million or 18.4% to \$110.8 million in the first quarter ended March 29, 1998 from \$135.7 million in the first quarter ended March 30, 1997.

Net revenue from wholesale operations decreased \$19.6 million or 24.5% to \$60.7 million from \$80.3 million. Domestic and international wholesale operations net revenue decreased \$6.7 million and \$12.9 million, respectively. International wholesale operations decreased due to the sale of the Guess? Italia operations in June 1997, which reflects the absence of \$13.0 million recorded in the prior year. The Company's domestic wholesale net revenue declined primarily due to increased competition in branded basic denim apparel.

Net revenue from retail operations decreased \$2.8 million or 6.6% to \$39.5 million from \$42.3 million, primarily attributable to a 21.6% decrease in comparable store net revenue, partially offset by increased volume generated by new store openings. The decrease in comparable store net revenue was primarily due to product assortment changes in the Factory Stores, softening Pacific Rim tourism and the impact of El Nino adversely affecting west coast stores.

Net royalties decreased \$2.5 million or 19.2% in the first quarter ended March 29, 1998 to \$10.6 million from \$13.1 million in the first quarter ended March 30, 1997. The decline in net royalties was primarily due to the adverse affects of lower royalties from Asian markets and certain discontinued licenses.

Net revenue from international operations comprised 10.0% and 17.3% of the Company's net revenue during the first quarters of 1998 and 1997, respectively. The decrease in the percentage of revenue from international

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operations was primarily due to the aforementioned sale of the Guess? Italia operations in June 1997.

GROSS PROFIT. Gross profit decreased 24.6% to \$46.5 million in the first quarter ended March 29, 1998 from \$61.6 million in the first quarter ended March 30, 1997. The decline in gross profit was due to lower net royalties and net revenue from product sales. Gross margin decreased to 41.9% in the quarter ended March 29, 1998 compared to 45.4% in the quarter ended March 30, 1997. Gross margin from product sales decreased to 35.8% in the quarter ended March 29, 1998 compared to 39.6% in the quarter ended March 30, 1997. The decline in gross margin was primarily attributable to fixed store occupancy costs being spread over a lower revenue base as well as an increase in retail store markdowns in the 1998 period.

SG&A EXPENSES. Selling, general and administrative ("SG&A") expenses decreased 13.5% in the quarter ended March 29, 1998 to \$30.0 million, or 27.1% of net revenue, from \$34.7 million, or 25.6% of net revenue, in the first quarter ended March 30, 1997. The decrease was due to cost reduction initiatives implemented in the fourth quarter of 1997, partially offset by higher legal costs associated with UNITE activities (see "Legal Proceedings"). As a percentage of net revenue, the increase in SG&A costs was the result of fixed expenses being spread over a lower revenue base in the 1998 period.

EARNINGS FROM OPERATIONS. Earnings from operations decreased 38.8% to \$16.4 million, or 14.8% of net revenue, in the first quarter ended March 29, 1998 from \$26.9 million, or 19.8% of net revenue, in the first quarter ended March 30, 1997. The decrease in earnings from operations was primarily due to lower revenue.

INTEREST EXPENSE, NET. Net interest expense remained flat as compared to the prior year at \$3.2 million. The interest related to higher outstanding debt in

the first quarter ended March 29, 1998 was offset by a slightly lower net effective interest rate. For the first quarter ended March 29, 1998, the average debt balance was \$146.9 million, with an average effective interest rate of 8.8%. For the first quarter ended March 30, 1997, the average debt balance was \$131.3 million, with an average effective interest rate of 8.9%.

NET EARNINGS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE. Net earnings before the net cumulative effect of a change in accounting principle decreased 43.4% to \$8.0 million, or 7.2% of net revenue, in the first quarter ended March 29, 1998, from \$14.1 million, or 10.4% of net revenue, in the first quarter ended March 30, 1997.

NET CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE. Effective January 1, 1997, the Company changed its method of accounting for product display fixtures located in its wholesale customers' retail stores, whereby the costs for such fixtures will be capitalized and depreciated over five years using the straight-line method. In prior years, these costs had been expensed as incurred. The Company believes this method will more closely match the long-term benefit the product display fixtures provide with the expected future revenue from such fixtures. The cumulative effect of the change in accounting principle, recorded in the first quarter of 1997, is calculated based upon the retroactive effect of applying the new accounting method to prior year fixture acquisitions. The cumulative effect of the change in accounting principle of \$4.0 million (after reduction for income tax expense of \$2.7 million) is included in earnings for the quarter ended March 30, 1997.

NET EARNINGS. Net earnings decreased 55.9% to \$8.0 million, or 7.2% of net revenue, in the first quarter ended March 29, 1998, from \$18.0 million, or 13.3% of net revenue, in the first quarter ended March 30, 1997.

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LIQUIDITY AND CAPITAL RESOURCES

The Company has relied primarily on internally generated funds, trade credit and bank borrowings to finance its operations and expansion. At March 29, 1998, the Company had working capital of \$126.8 million compared to \$106.7 million at December 31, 1997. The increase was primarily due to a \$16.9 million increase in receivables and a \$14.0 million decrease in payables and accrued expenses, which were partially offset by a \$7.1 million decrease in inventory. The increase in net receivables was primarily due to seasonal changes in volume.

The Company's Credit Agreement originally provided for a \$100.0 million line of credit facility. During the quarter ended March 29, 1998, this amount was reduced to \$86.9 million, which resulted from a certain Asian bank which fell out of the bank group due to a restructuring of its U.S. portfolio. The current revolving credit facility includes a \$25.0 million sublimit for letters of credit. At March 29, 1998, the Company had \$42.7 million in outstanding borrowings under the revolving credit facility, \$1.0 million in outstanding standby letters of credit and \$9.4 million in outstanding commercial letters of credit. At March 29, 1998, the Company had \$33.8 million available for future borrowings under such facility. The revolving credit facility will expire in December 1999. The Credit Agreement contains various restrictive covenants requiring, among other things, the maintenance of certain financial ratios. The Company was in compliance with all such covenants as of March 29, 1998.

Capital expenditures, net of lease incentives granted, totaled \$1.1 million in the quarter ended March 29, 1998. The Company estimates its capital expenditures for fiscal 1998 will be approximately \$20.0 million, primarily for the retail store expansion and remodeling, shop-in-shop programs and operations.

The Company anticipates that it will be able to satisfy its ongoing cash requirements through 1998 for working capital and interest on the Company's Senior Subordinated Notes, primarily with cash flow from operations,

supplemented, if necessary, by borrowings under its revolving Credit Agreement.

SEASONALITY

The Company's business is impacted by the general seasonal trends 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 result 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.

INFLATION

The Company does not believe 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 they have had a material effect on the Company's net revenue or profitability.

EXCHANGE RATES

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

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offshore contract manufacturers are primarily denominated in USD; however, purchase prices for the Company's products may be impacted by fluctuations in the exchange rate between the USD and the local currencies of the contract manufacturers, which may have the effect of increasing the Company's cost of goods in the future. In addition, royalties received from the Company's international licensees are subject to foreign currency translation fluctuations as a result of the net sales of the licensee being denominated in local currency and royalties being paid to the Company in USD. During the last three 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.

IMPACT OF RECENTLY ISSUED PRONOUNCEMENTS

In June 1997, FASB issued Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income ("SFAS 130"). SFAS 130 establishes standards for the reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. SFAS 130 requires all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement displayed with the same prominence as other financial statements. SFAS 130 does not require a specific financial statement format but requires an enterprise display an amount representing total comprehensive income for the period covered by that financial statement. SFAS 130 requires an enterprise to (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. SFAS 130 is effective for fiscal years beginning after December 15, 1997. The Company adopted the provisions of SFAS 130 effective January 1, 1998. The effect of the adoption was immaterial to the Company's financial position and results of operations for the quarter ended March 29, 1998.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information ("SFAS 131"). SFAS 131 established standards for public business enterprises to report information about operating segments in annual financial statements and requires

those enterprises report selected information about operating segments in interim financial reports issued to shareholders. It also established standards for related disclosures about products and services, geographic areas and major customers. This statement supersedes FASB Statement No. 14, Financial Reporting for Segments of a Business Enterprise, but retains the requirement to report information about major customers. It amends FASB Statement No. 94, Consolidation of All Majority-Owned Subsidiaries, to remove the special disclosure requirement for previously unconsolidated subsidiaries. SFAS 131 requires, among other items, that a public business enterprise report a measure of segment profit or loss, certain specific revenue and expense items, and segment assets information about the revenues derived from the enterprise's products or services and major customers. SFAS 131 also requires the enterprise report descriptive information about the way the operating segments were determined and the products and services provided by the operating segments. SFAS 131 is effective for financial statements for periods beginning after December 15, 1997. In the initial year of application, comparative information for earlier years is to be restated. SFAS 131 need not be applied to interim financial statements in the initial year of application, but comparative information for interim periods in the initial year of application is to be reported in financial statements for interim periods in the second year of application. Management believes that the adoption of SFAS 131 will not have a material impact on the Company's financial reporting.

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On April 3, 1998, the AICPA Accounting Standards Executive Committee issued Statement of Position 98-5 ("SOP 98-5"), "Reporting on the Costs of Start-up Activities." SOP 98-5 requires that costs of start-up activities, including organization costs and retail store openings, be expensed as incurred. SOP 98-5 is effective for financial statements for fiscal years beginning after December 15, 1998. Earlier application is encouraged. Restatement of previously issued financial statements is not permitted. In the fiscal year in which the SOP 98-5 is first adopted, the application should be reported as a cumulative effect of a change in accounting principle. The Company has not yet determined whether the application of SOP 98-5 will have a material impact upon the Company's financial position or results of operations.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risks.

Not applicable.

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PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

Litigation

On August 7, 1996, a class action complaint naming the Company and certain of its independent contractors was filed in the Superior Court of the State of California for the County of Los Angeles, titled as Brenda Figueroa et. al. v. Guess ?, Inc. et. al. (Case No. BC 155 165). In this case, a purported class action, plaintiffs assert claims for violation of state wage and hour laws, wrongful discharge, and breach of contract arising out of the Company's relationship with its independent contractors and actions taken by the Company's independent contractors with respect to the employees of such independent contractors. Plaintiffs contend that the Company is liable for its contractors' violations because it is a "joint employer" with its independent contractors. Plaintiffs also allege that the Company breached its agreement with the United States Department of Labor ("USDOL") regarding the monitoring of its independent contractors.

The Union of Needletrades, Industrial & Textile Employees ("UNITE") has filed

with the National Labor Relations Board ("NLRB") various charges that the Company has engaged and is engaging in unfair labor practices within the meaning of the National Labor Relations Act ("NLRA"). In Cases No. 21-CA-31524, No. 21-CA-31565 and No. 21-CA-31648, UNITE has alleged that the Company unlawfully discharged certain employees because of certain union activities and unlawfully threatened and coerced employees in the exercise of their rights under Section 7 of the NLRA. In Case No. 21-CA-31807, UNITE alleges that the Company has unlawfully threatened to move its production to Mexico and elsewhere outside the United States thus unlawfully interfering with UNITE's corporate campaign at the Company's headquarters and at certain of the Company's independent contractors, and has unlawfully ceased doing business with certain independent contractors where ongoing union organizing campaigns are being conducted. On April 6, 1998, the NLRB determined that it would not proceed with Case No. 21-CA-31807. UNITE has indicated to the Company that it will appeal the NLRB's decision to discharge Case No. 21-CA-31807.

On November 12, 1997 UNITE filed Case No. 21-CA-32201, alleging the Company violated the NLRA by filing retaliatory state and federal civil lawsuits against UNITE and UNITE's employees, seeking fees and costs incurred defending such lawsuits. These lawsuits primarily concern the legality of UNITE's picketing activities against the Company, as well as trademark and other similar violations under state and federal law. The NLRB determined not to issue a complaint with respect to the Company's federal trademark suit, and to issue a complaint with respect to certain of the Company's state law claims.

On December 15, 1997, UNITE filed Case No. 21-CA-32433 against the Company. In this case, UNITE alleges the Company has interfered with, restrained and coerced employees in the exercise of their Section 7 rights by filing and prosecuting two other civil lawsuits against UNITE. The first of these lawsuits concerns UNITE's alleged breach of a 1995 settlement agreement with the Company. The second civil lawsuit involves the Company's claim for libel brought against UNITE. In both of these cases, UNITE seeks, among other things, recovery of the fees and costs in defending the civil lawsuits. The NLRB has informed the Company that further processing of this charge will be held in abeyance pending outcome of the underlying civil lawsuit.

On June 19, 1997 (Case No. 21-CA-32106), UNITE filed with the NLRB charges that the Company, one of the Company's independent contractors, the law firm of Mitchell Silberberg & Knupp LLP ("MSK") and certain employees of the Company and MSK, acting in concert with each other interfered with the employees of the independent contractors in the exercise of such employees'

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Section 7 rights under the NLRA respecting the enforcement of wage and hour laws. This Case was amended by UNITE on October 6, 1997, to add three additional independent contractors of the Company as charged parties and to allege certain of the contractors' employees were unlawfully polled and interrogated regarding their union sympathies and threatened with plant closure. In this case, it is further alleged the Company and its independent contractors were jointly liable for the independent contractors' employees. On December 9 and 11, 1997, the Regional Director for Region 21 of the NLRB ("Regional Director") advised the Company that the portions of Case No. 21-Ca-32106 against MSK and the portion of that charge which alleged the Company and its independent contractors were joint employers would be dismissed. The NLRB has issued a formal complaint regarding the allegations against the Company that it had unlawfully polled and interrogated employees of its independent contractors regarding their union and/or protected concerted activities. The administrative hearing on this charge is scheduled to begin in July, 1998.

In Case No. 21-CA-32131 filed on June 30, 1997 and subsequently amended, UNITE filed with the NLRB charges alleging the Company restrained, coerced, and interfered with the Company's employees rights under Section 7 of the NLRA by engaging in certain unlawful conduct including, without limitation: (a) interrogating and polling employees regarding their and other employees' union sympathies and activities; (b) organizing anti-union demonstrations; (c)

promising benefits to employees if they withdrew support for UNITE; (d) threatening employees due to their support and activities on behalf of UNITE; (e) assisting and supporting an unlawful employee committee; and (f) engaging in other conduct designed to have a negative effect on UNITE's corporate campaign. In Case No. 21-CA-32136, filed on July 3, 1997 and subsequently amended, UNITE alleges the Company unlawfully discharged two employees because of their union activities.

In November 1997, the Regional Director issued a consolidated complaint against the Company based on the unfair labor practice charges filed in Cases No. 21-CA-32131 and No. 21-CA-32136. The consolidated complaint alleges the Company unlawfully (a) threatened, coerced, restrained and interfered with its employees in the exercise of their rights under Section 7 of the NLRA, (b) dominated, administered, supported, assisted and failed to disband an allegedly unlawful employee committee, (c) discharged an employee allegedly because of the employee's union activities, (d) created onerous working conditions for another employee, gave that employee a written warning, a poor performance evaluation and probation and subsequently discharged that employee allegedly because of the employee's union activities and (e) issued a written warning to another employee allegedly because the employee did not engage in anti-union demonstrations.

On December 11, 1997, UNITE filed Case No. 21-CA-32427 alleging the Company unlawfully discharged certain employees in October 1997 because of certain union activities and unlawfully threatened employees due to their union activities. On February 10, 1998, the NLRB determined to issue a complaint against the Company alleging the Company unlawfully terminated eleven employees due to their union activities and to consolidate this complaint with the consolidated complaint issued in Cases No. 21-CA-32131, 21-CA-32136, 21-CA-31524, 21-CA-31565 and 21-CA-31648.

On April 22, 1998, the Company entered into a "Settlement Stipulation" with UNITE and the NLRB settling the charges in Cases 21-CA-31524, 21-CA-31565, 21-CA-32131, 21-CA-32136, and 21-CA-32427. Under the Settlement Stipulation, the Company has agreed to reinstate 13 "laid-off" former employees of the Company and pay back wages and other costs to approximately 20 current and/or former employees of the Company amounting to approximately \$113,000.

In connection with its campaign against the company, UNITE has accused the Company's independent contractors of engaging in illegal industrial homework

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operations and violating minimum wage and overtime laws. It also accused the Company of violating its agreement with the USDOL with respect to its program to monitor its contractors for compliance with federal labor laws. In addition, as a result of increased public attention to the apparel industry "sweatshop" issue, federal and state labor investigators have continued to conduct frequent inspections of apparel contractors, and federal labor officials have recently reviewed the Company's contractor compliance monitoring program.

To the best of its knowledge, the Company's program to monitor its independent contractors for compliance with federal labor laws is in compliance with its voluntary agreement with the USDOL and meets USDOL guidelines for such programs. However, there can be no assurance that, despite such a program, the Company's contractors will not violate federal or state labor laws. To the best of the Company's knowledge, no illegal industrial homework of the Company's apparel has been found occurring at any contractor in the past year and no violations of minimum wage or overtime laws have been found at the Company's contractors in the sixteen months ended April 30, 1997.

On February 24, 1998, the Company and Maurice Marciano, Paul Marciano and Armand Marciano, as individuals, were named as defendants in a putative class action entitled John N. Robinson v. Guess ?, Inc., Maurice Marciano, Paul Marciano and Armand Marciano, case number BC186583, filed in the Los Angeles Superior Court. The complaint (the "Complaint") purports to state a claim under Sections 11.12(2) and 15 of the Securities Act of 1933 for alleged misrepresentations in

connection with the Company's initial public offering (the "IPO") in August 1996. Mr. Robinson purports to represent a class of all purchasers of the Company's stock in the IPO and seeks unspecified damages. The case has just been filed, and a response by the defendants is not yet due. While it is too soon to predict the outcome of the case with any certainty, the Company believes it has meritorious defenses to each of the claims asserted and intends to vigorously defend itself.

The Company believes the outcome of one or more of the above cases could have a material adverse effect on the Company's financial condition and results of operations.

The Company is also a party to various other 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 such pending legal proceedings, in the aggregate, will not have a material adverse effect on the Company's financial condition or results of operations.

ITEM 2. Changes in Securities

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the first quarter of 1998.

ITEM 5. Other Information

None.

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ITEM 6. Exhibits and Reports on Form 8-K

a) Exhibits:

Exhibit Number	Description
- - - - -	- - - - -
10.32.	Second Amendment and Consent to the Amended and Restated Revolving Credit Agreement by and between Guess ?, Inc. And BankBoston, N.A., F/K/A The First National Bank of Boston, Sanwa Bank California and the Financial Institutions Party Hereto.
10.33.	Third Amendment and Consent to the Amended and Restated Revolving Credit Agreement by and between Guess ?, Inc. And BankBoston, N.A., F/K/A The First National Bank of Boston, Sanwa Bank California and the Financial Institutions Party Hereto.

27.1. Financial Data Schedule

b) Reports on Form 8-K:

The Company did not file any reports on Form 8-K during the quarter ended March 29, 1998.

SIGNATURES

Pursuant to the requirements of Rule 12b-15 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GUESS ?, INC.

Date: May 12, 1998

By: /s/ MAURICE MARCIANO

Maurice Marciano
Chairman of the Board, Chief Executive
Officer and Director (Principal Executive
Officer)

Date: May 12, 1998

By: /s/ TERENCE TSANG

Terence Tsang
Vice President-Finance, Treasurer &
Corporate Controller (Principal
Financial Officer and Chief Accounting
Officer)

10.32. Second Amendment and Consent to the Amended and Restated Revolving Credit Agreement by and between Guess ?, Inc. And BankBoston, N.A., F/K/A The First National Bank of Boston, Sanwa Bank California and the Financial Institutions Party Hereto.

SECOND AMENDMENT AND CONSENT

TO

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

BY AND BETWEEN

GUESS ?, INC.

AND

BANKBOSTON, N.A.
F/K/A THE FIRST NATIONAL BANK OF BOSTON,

SANWA BANK CALIFORNIA

AND

THE FINANCIAL INSTITUTIONS PARTY HERETO

Dated as of January 30, 1998

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SECOND AMENDMENT AND CONSENT

TO

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

This Second Amendment and Consent to Amended and Restated Revolving Credit Agreement (this "Agreement") is entered into as of January 30, 1998, by and between GUESS ?, INC., a Delaware corporation having its chief executive office at 1444 S. Alameda Street, Los Angeles, California, 90021 (the "Company") and BankBoston, N.A. formerly THE FIRST NATIONAL BANK OF BOSTON, a bank with its head offices at 100 Federal Street, Boston, Massachusetts, 02110 (the "Agent"), SANWA BANK CALIFORNIA, a bank with its head offices at 601 South Figueroa Street, Los Angeles, California 90017 (the "Co-Agent"), and THE FINANCIAL INSTITUTIONS PARTIES HERETO (the "Lenders").

RECITALS

I. The parties hereto have previously entered into that certain Amended and Restated Revolving Credit Agreement, dated as of March 28, 1997 as amended by the First Amendment and Waiver to the Amended and Restated Revolving Credit Agreement dated as of April 30, 1997 (collectively the "Credit Agreement");

A. As of December 31, 1997 the Company transferred certain assets to Guess? Retail, Inc. ("Retail") and Guess? Licensing, Inc. ("Licensing") all as more fully set forth in the Consent and Affirmation Agreement dated as of December 31, 1997 and appended hereto as Exhibit A (the "Consent Agreement") ;

A. As set forth in the Consent Agreement, Retail and Licensing have each agreed to become parties to the Credit Agreement as guarantors (the "Guarantors") and to grant the Agent on behalf of the Lenders a security interest as more fully set forth in the security agreements, the form of which is appended hereto as Exhibit B (the "Guarantors Security Agreements");

A. Retail and Licensing have further agreed to make certain representations and warranties as set forth in this Agreement and to affirm that they are bound by certain covenants set forth in the Credit Agreement to which Subsidiaries are to be bound; and

A. The Company, Retail and Licensing have agreed to make certain other modifications to the Credit Agreement as provided in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and agreements contained in this Waiver and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree to the above Recitals and as follows:

1. Definitions. All defined terms used herein without definition shall have the meanings assigned to them in the Credit Agreement.

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1. Amendments to the Credit Agreement. From and after the date hereof the Credit Agreement is hereby amended as follows:

a) The Credit Agreement is amended by the addition of the following definitions and the full substitution of the following definitions:

Consent Agreement. Consent and Affirmation Agreement dated as of December 31, 1997 by and among the Majority Lenders, the Agent, the Company, Retail and Licensing and appended hereto as Exhibit M.

Consolidated Total Debt Service. For any period, all interest (on a consolidated basis if and when the Company has any Subsidiaries) which has accrued (whether actually paid or not) for such period, and all scheduled payments of principal due during the one year period preceding the end of such period, on all obligations for borrowed money, capitalized leases or otherwise, except for the principal amounts outstanding under the Revolving Loans.

Consolidated Total Interest Expense. For any period, all interest (on a consolidated basis if and when the Company has any Subsidiaries) which has accrued (whether actually paid or not) for such period on all Indebtedness for Money Borrowed, Capitalized Leases or otherwise.

Four Wall Contribution Report. For any retail or outlet store of the Company or any Subsidiary, a report of results of operations for that store taking into account gross sales, cost of goods sold and overhead expenses including rent, payroll and tenant improvements, in each case related only to that store and excluding charges relating to the other operations and store locations of the Company and its other Subsidiaries .

Guaranteed Obligations . See Section 4A.1.

Guarantors. Retail and Licensing and any other party who in the future agrees to be bound by the provisions of Section 4A of this Agreement.

Guarantors Security Agreement. The security agreement in form appended hereto as Exhibit L-1 and L-2 executed by each Guarantor.

Inventory Turnover. As of the last day of each fiscal quarter, the result obtained (expressed as the number of turns) by dividing (i) the total cost of sales of the Company and its Subsidiaries on a consolidated basis for the four fiscal quarters then ended, by (ii) the average inventory of the Company and its Subsidiaries on a consolidated basis for the four fiscal quarters then ended (calculated by

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adding the book value of the inventory of the Company and its Subsidiaries on a consolidated basis as of the end of the most recently ended fiscal quarter to the book value of the inventory of the Company and its Subsidiaries on a consolidated basis at the beginning of the measurement period and dividing the result by 2).

Licensing . Guess? Licensing, Inc. a Delaware Corporation which is a Wholly Owned Subsidiary.

Loan Documents. Collectively, this Agreement, the Notes, the Security Agreement, the Guarantors Security Agreements, any Letters of Credit, any Letter of Credit Agreement and any guaranties or other document required by any such Loan Document together with any amendments, modifications or replacements thereto.

Retail . Guess? Retail, Inc. a Delaware Corporation which is a Wholly Owned Subsidiary.

a) Section 4A is added to the Credit Agreement to read as follows:

SECTION 4A. Guaranty by Guarantors

4A.1 The Guaranty4A.1 Guaranty. Each Guarantor hereby jointly and severally guaranties to each Lender, the Co-Agent and the Agent and their respective successors and assigns the prompt payment in full when due of all Obligations (whether at stated maturity, by acceleration or otherwise) of any kind or nature each in accordance with the terms thereof (being herein collectively called the "Guaranteed Obligations"). Each Guarantor hereby further agrees that if the Company shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, each Guarantor will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

4A.2 Obligations Absolute Obligations Unconditional. The obligations of each Guarantor under Section 4A.1 are absolute and unconditional irrespective of the value, genuineness, validity, regularity or enforceability of this Agreement, the other Loan Documents or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guaranty of or security for any of the Guaranteed Obligations, and irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 4A.2 that the obligations of the Guarantors hereunder shall be absolute and unconditional under any and all circumstances. Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not

alter or impair the liability of the Guarantors hereunder which shall remain absolute and unconditional as described above:

(i) at any time or from time to time, without notice to such Guarantors, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(ii) any of the acts mentioned in any of the provisions hereof or of the other Loan Documents or any other agreement or instrument referred to herein or therein shall be done or omitted;

(iii) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right hereunder or under the other Loan Documents or any other agreement or instrument referred to herein or therein shall be waived or any other guaranty of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with; or

(iv) any lien or security interest granted to, or in favor of, the Agent, or any Lender or Lenders as security for any of the Guaranteed Obligations shall fail to be perfected.

The Guarantors hereby expressly waive diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Agent or any Lender exhaust any right, power or remedy or proceed against the Company hereunder or under the other Loan Documents or any other agreement or instrument referred to herein or therein, or against any other Person under other guaranty of, or security for, any of the Guaranteed Obligations.

4A.3 Reinstatement. The obligations of each Guarantor under this Section 4A shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Company in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and each of the Guarantors agrees that it will indemnify the Agent and each Lender on demand for all reasonable costs and expenses (including fees and expenses of counsel) incurred by the Agent or any Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

4A.4 Subrogation. Each Guarantor hereby waives all rights of subrogation or contribution, whether arising by contract or operation of law (including any such right arising under

the Federal Bankruptcy Code of 1978, as amended) or otherwise by reason of any payment by it pursuant to the provisions of this Section 4A and further agrees with the Company for the benefit of each of its creditors (including each Lender and the Agent) that any such payment by it shall constitute a contribution of capital by such Guarantor to the Company.

4A.5 Remedies. Each Guarantor agrees that, as between such Guarantor and the Lenders, the Obligations may be declared to be forthwith due and payable as provided in Section 7.1 for purposes of Section 4A.1 notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against the Company and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such Obligations (whether or not due and payable by the Company) shall forthwith become due and payable by such Guarantor for purposes of Section 4A.1.

4A.6 Instrument for the Payment of Money. 3.6 Instrument for the Payment of Money. Each Guarantor hereby acknowledges that the guaranty in this Section 4A constitutes an instrument for the payment of money, and consents and agrees that the any Lender or the Agent, at its sole option, in the event of a dispute by the Guarantors in the payment of any moneys due hereunder, shall have the right to summary judgment or such other expedited procedure as may be available for a suit on a note or other instrument for the payment of money.

4A.7 Continuing Guaranty 3.7 Continuing Guaranty. The guaranty in this Section 4A is a continuing guaranty, and shall apply to all Guaranteed Obligations whenever arising.

4A.8 General Limitation on Guaranty Obligations 3.9 General Limitation on Guaranty Obligations. In any action or proceeding involving any state corporate law, or any state or Federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Guarantor under Section 4A.1 would otherwise be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 4A.1, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by such Guarantor, any Lender, the Agent or any other Person, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

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a) Section 5.1(c) of the Credit Agreement is deleted in its entirety and amended to read as follows:

5.1(c) concurrently with the delivery of each financial statement pursuant to subsections (a) and (b) of this Section 5.1, a report in substantially the form of Exhibit F hereto signed on behalf of the Company by its chief financial officer; in addition, a report of the actual results of composite store sales on a consolidated basis for each retail and outlet store of the Company or any of its Subsidiaries for the year to date;

a) Section 5.1 (j) of the Credit Agreement is deleted in its entirety and amended to read as follows:

5.1 (j) annual financial forecasts and projections for the Company and its Subsidiaries to be delivered no later than 120 days after the end of each fiscal year; and

a) Section 5.1 of the Credit Agreement is amended by deleting the word "and" at the end of Section 5.1 (j), deleting the period after the end of Section 5.1.(k), adding a ";" and the word "and" to the end of Section 5.1 (k) and adding the following Section 5.1 (l) to read as follows:

5.1 (1) all of the reports, statements and other documents required to be delivered upon this Section 5.1 must be received in hand by the Agent no later than the date upon which they are due in accordance with the various provisions of this Section 5.1, notwithstanding any provision of Section 9.1 on the giving of notice.

a) Section 5.13 of the Credit Agreement, Use of Proceeds, is deleted in its entirety and amended to read as follows:

5.13 Use of Proceeds. The Company will use the proceeds of the Revolving Loans for the ongoing working capital needs of the Company and the Guarantors. Notwithstanding the foregoing, the Company may use up to \$75,000,000 , in the aggregate of the Commitment Amount, reduced by all purchases of Senior Subordinated Notes prior to the date of this Agreement as set forth on Exhibit C and further reduced by all purchases of Senior Subordinated Notes and common stock under the Stock Repurchase Program made on and after the date hereof, to repurchase a portion of the Senior Subordinated Notes or any of the Company's common stock under the Stock Repurchase Program, provided, (i) that the Company shall satisfy on a pro forma basis, all of the covenants made herein for the next four (4) fiscal quarters from the date thereof, (ii) that the Company's repurchase of the Senior Subordinated Notes and common stock under the Stock Repurchase Program in any fiscal quarter shall be limited to the amount of the Company's positive net income based on the average of net income for the preceding four fiscal quarters, as previously reported to the Agent and using the current quarter as the fourth quarter for purposes of the calculation and (iii) that such repurchase complies with the provisions of Section 6.8 (xiv) hereof.

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a) Section 6.2 of the Credit Agreement, Guarantees, is amended by deleting the word "and" at the end of Section 6.2 (g), deleting the period after the end of Section 6.2 (h), adding a ";" and the word "and" to the end of Section 6.2 (h) and adding the following Section 6.2 (i) to read as follows:

6.2 (i) Guarantees by the Company of the store leases of Retail listed on Schedule 6.2 (i).

a) Section 6.4 (a) of the Credit Agreement, Encumbrances, is deleted in its entirety and amended to read as follows:

6.4 (a) Encumbrances in favor of the Agent or any of its affiliates or Lenders under the Security Agreement and the Guarantors Security Agreements;

a) Section 6.5 of the Credit Agreement, Merger; Consolidation; Sale or Lease of Assets is amended by deleting the word "and" at the end of Section 6.5 (iv), adding a "," at the end of Section 6.5 (iv), deleting the period after the end of Section 6.5 (v), adding the word "and" to the end of Section 6.5 (v) and adding the following Section 6.5 (vi) to read as follows:

6.5 (vi) the transfer by the Company of certain of its property and rights to Retail and Licensing as described in the Consent Agreement and the exhibits to the Consent Agreement.

a) Section 6.8 (i) of the Credit Agreement, Investments, is deleted in its entirety and amended to read as follows:

6.8 (i) Investments in Subsidiaries and new Investments in Subsidiaries, Newtimes Guess Parent and Newtimes Guess not to exceed \$15,000,000 in the aggregate at any one time, but

excluding the transfer by the Company of certain of its property for the shares of Retail and Licensing as more fully set forth in the Consent Agreement and the exhibits to the Consent Agreement,

a) Exhibit K to Section 6.11, Transactions with Affiliates, is amended and updated as provided on Exhibit K appended to this Agreement to provide for transactions between the Company and the Guarantors.

a) Section 7.1 (e) of the Credit Agreement, Events of Default, is deleted in its entirety and amended to read as follows:

7.1 (e) any representation or warranty of the Company or the Guarantors or any of them made in this Agreement or in the Notes or any other documents or agreements executed in connection with the transactions contemplated by this Agreement or in any certificate delivered hereunder shall prove to have been false in any material respect upon the date when made or deemed to have been made; or

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a) Section 9.1 of the Credit Agreement, Notices. is amended to provide that any notice to the Guarantors shall be effective if delivered to the Company attention Glenn A. Weinman, General Counsel, at Telecopier (213)765-0911 and all notices to the Agent should be addressed to BankBoston, N.A. attention: Nancy Fuller, Director, at Telecopier (617) 434-6685.

a) Consent and Waiver. Subject to the terms of this Agreement and the Consent Agreement, the Lenders hereby consent to the transfer by the Company of certain of its assets to Licensing and Retail pursuant to the exhibits to the Consent Agreement and waives any Event of Default which arose due to such transfers.

1. Conditions to Second Amendment.

a) The agreements of the Agent and the Lenders as set forth in this Second Amendment are subject to the fulfillment of the following conditions:

1) Receipt by Agent of a copy of this Second Amendment and Consent Agreement executed by the Company, Retail, Licensing and the Majority Lenders;

1) Receipt by Agent of fully executed Guarantors Security Agreements from Retail and Licensing, with executed UCC-1's for each jurisdiction in which Retail and Licensing have Collateral and/or their chief executive office;

a) Receipt by the Agent of (i) the opinion of counsel to the Company in form reasonably satisfactory to the counsel to the Agent affirming the opinion given on December 31, 1997, opining as to such additional items as counsel to the Company previously agreed to address and any other matters reasonably requested by counsel to the Agent; (ii) a certificate signed by the Secretary or Assistant Secretary of the Company, Retail and Licensing certifying, among other things: that the Articles of Incorporation of the Company, Retail and Licensing have not been amended since the date of the certified Articles of Incorporation for each delivered to Lender and attached thereto as an exhibit, that the By-laws of the Company, Retail and Licensing have not been amended since the certificate delivered on December 31, 1997, affirmation that the resolutions of the Company's, Retail's and Licensing's respective Boards of Directors authorizing the execution, delivery and performance of the Second Amendment to the Credit Agreement and the Guarantors Security Agreements, and granting the liens and encumbrances to the Agent for the benefit of the Lenders are in full force and effect, and affirmation as to the names, incumbency and signatures of the officers of the Company, Retail and Licensing executing the Second Amendment to Credit Agreement, the Guarantors Security Agreements, the UCC-1's in the jurisdictions in which each of Retail and Licensing do business naming the Agent on behalf of the Lenders and the

other Loan Documents executed by each of them;

(1) All of the certificates of foreign qualification set forth on Exhibit C hereto.

(1) Such other documents, instruments and agreements as Agent may reasonably request in connection herewith or in order to effectuate the matters described herein.

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1. Credit Agreement Remains in Full Force and Effect. Except for the amendments set forth in Section 2 hereof, no other amendment to the Credit Agreement is being given and all provisions of the Credit Agreement shall remain in full force and effect.

1. Representations and Warranties; No Default or Event of Default.

a) The Company hereby confirms that the representations and warranties contained in Section 4 of the Credit Agreement are true and correct as of the date hereof (except to the extent that such representations and warranties relate to a prior date) and that no Default or Event of Default has occurred and is continuing on the date hereof.

a) The Guarantors hereby confirm that each of them is a Subsidiary for all purposes under the Credit Agreement and that all of the representations and warranties contained in Section 4 of the Credit Agreement are true and correct as of the date hereof as to each of the Guarantors.

a) Each Guarantor confirms that each of the representations and warranties set forth in Sections 4.2, 4.3, 4.4, 4.7 and 4.10 are true and accurate as to each Guarantor.

1. Limitation of Waiver. Any waiver contained herein by the Agent and/or the Lenders, shall apply to the occurrence specifically described herein and then only to the extent set forth herein and shall not in any way be construed as a bar to a waiver of any right or remedy of the Agent and the Lenders as to any other occurrence or event.

1. Governing Law. This Waiver shall be construed in accordance with and governed by the laws of the Commonwealth of Massachusetts (without giving effect to any conflicts of laws provisions contained therein).

1. Fees and Expenses. The Company shall pay the Lenders' reasonable attorneys' fees not to exceed \$10,000 and out-of-pocket expenses for the filing of financing statements in approximately 50 locations and other normal and customary charges for photocopying, facsimile transmission, overnight delivery, postage, long distance telephone calls and similar charges actually incurred in connection with this Agreement as of and through the date hereof.

1. Counterparts. This Second Amendment and Consent 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 Agreement, 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 Agreement, is confirmed as being in full force and effect.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and the year first written.

GUESS ?, INC.

By:
Print Name:
Title:

GUESS RETAIL ?, INC.

By:
Print Name:
Title:

GUESS LICENSING ?, INC.

By:
Print Name:
Title:

BANKBOSTON, N.A. FORMERLY
THE FIRST NATIONAL BANK OF BOSTON
(AS AGENT AND LENDER)

By:
Print Name:
Title:

SANWA BANK CALIFORNIA (AS CO-AGENT
AND LENDER)

By:
Print Name:
Title:

THE INDUSTRIAL BANK OF JAPAN,
LIMITED, LOS ANGELES AGENCY (AS LENDER)

By:
Print Name:
Title:

LENDERS SIGNATURES ON NEXT PAGE

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CREDIT LYONNAIS LOS ANGELES
BRANCH (AS LENDER)

By:
Print Name:
Title:

SUMITOMO BANK OF CALIFORNIA
(AS LENDER)

By:
Print Name:
Title:

BANKBOSTON, N.A.
 formerly known as The First National Bank of Boston

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement") made as of January 30, 1998 by GUESS ? LICENSING, INC., a Delaware corporation with its chief executive offices at 1444 South Alameda St., Los Angeles CA 90021 (the "Debtor") in favor of BANKBOSTON, N.A., formerly known as THE FIRST NATIONAL BANK OF BOSTON, a national banking association with its head office at 100 Federal Street, Boston, Massachusetts 02110 (sometimes referred to as the "Agent") as agent for itself and for the Lenders parties to the Loan Agreement referred to below (the "Lenders") (the "Secured Party").

WHEREAS, Guess?, Inc (the "Company"), the Secured Party and the Lenders entered into as of March 28, 1997 an Amended and Restated Revolving Credit Agreement (the "Loan Agreement") (all terms not otherwise defined shall have the meaning provided in the Loan Agreement) and;

WHEREAS, on December 31, 1997, the Company transferred to the Debtor certain of its assets comprised of certain existing licenses of intellectual property and the right to license certain intellectual property in the United States; and

WHEREAS, the Secured Party and the Lenders consented to the transfer from the Company to the Debtor on the condition that the Debtor would guarantee the Guaranteed Obligations of the Company to the Secured Party and the Lenders and grant a security interest in its assets as provided in this security agreement;

WHEREAS, the Company, the Debtor, Guess? Retail, Inc, the Secured Party and the Lenders have entered into a Second Amendment and Consent to the Loan Agreement by which the Debtor has agreed to guarantee the Guaranteed Obligations as defined in the Loan Agreement.

NOW THEREFORE, for value received, the receipt and legal sufficiency of which is hereby acknowledged, the Debtor hereby agrees as follows:

I. SECTION Definitions. All capitalized terms used herein or in any certificate, report or other document delivered pursuant to this Agreement shall have the meanings assigned to them below or in the Loan Agreement (unless otherwise defined). Except as otherwise defined, terms defined in the Uniform Commercial Code shall have the meanings set forth therein.

Accounts. All rights of the Debtor to payment for goods sold or leased or for services rendered, all sums of money or other proceeds due or becoming due thereon, all instruments evidencing any such right, all guarantees of and security for any such right, and the Debtor's rights pertaining to and interest in such goods, including the right of stoppage in transit, replevin or reclamation, all chattel paper evidencing any such right and all other property constituting "accounts" as such term is defined in the Uniform Commercial Code.

Collateral. See Section 2.

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General Intangibles. All "general intangibles" as such term is defined in the Uniform Commercial Code, but specifically excluding any trademarks, trade names, patents, copyrights and any other intellectual property, other than an Account arising from the licensing of any of the foregoing.

Inventory. All goods, merchandise and other personal property of the Debtor that are held for sale, lease or other disposition, or for display or

demonstration, or leased or consigned, or that are raw materials, piece goods, work-in-process or materials used or consumed or to be used or consumed in the Debtor's business, whether in transit or in the possession of the Debtor or another, including without limitation all goods covered by purchase orders and contracts with suppliers and all goods billed and held by suppliers and goods located on the premises of any carriers, forwarding agents, truckers, warehousemen, vendors, selling agents or other third parties; all display materials relating to any of the foregoing; all warehouse receipts and other negotiable and non-negotiable documents of title covering any of the foregoing; and all other property constituting "inventory" as such term is defined in the Uniform Commercial Code.

Officer's Certificate. A certificate signed by an officer of the Debtor authorized in the resolution delivered herewith in the form attached hereto and delivered concurrently herewith.

Uniform Commercial Code. The Uniform Commercial Code as in effect in the Commonwealth of Massachusetts.

I. SECTION Grant. To secure the payment and performance of the Debtor's guarantee of the Guaranteed Obligations, the Debtor hereby assigns and pledges to the Secured Party and grants to the Secured Party a continuing security interest in all of its rights, title and interest in, whether now owned or existing or hereafter arising or acquired, all Inventory and Accounts, and any and all additions, substitutions, replacements and accessions to any of the foregoing; and all proceeds and products of any of the foregoing (including, without limitation, proceeds which constitute Accounts, Inventory or General Intangibles) (collectively, the "Collateral").

I. SECTION Representations, Warranties and Covenants. The Debtor makes the following representations and warranties, and agrees to the following covenants, each of which representations, warranties and covenants shall be continuing and in force so long as this Agreement is in effect:

A. Name; Debtor/Collateral Location; Changes.

(a) The name of the Debtor set forth on the first page hereof is the true and correct legal name of the Debtor, and except as otherwise disclosed to the Secured Party in the Officer's Certificate, the Debtor has not done business as or used any other name.

(b) The address of the Debtor set forth on the first page hereof is the Debtor's chief executive office (the "Chief Executive Office") and the place where its business records are kept.

(c) The Debtor will not change its name, identity or organizational structure or the Chief Executive Office or place where its business records are kept, or move any tangible Collateral, unless the Debtor shall have given the Secured Party at least 30 days' prior written notice thereof and shall have delivered to the Secured Party such new Uniform Commercial Code financing statements or other

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documentation as may be necessary or required by the Secured Party to ensure the continued perfection and priority of the security interests granted by this Agreement.

A. Ownership of Collateral; Absence of Liens and Restrictions. The Debtor is, and in the case of property acquired after the date hereof, will be, the sole legal and equitable owner of the Collateral, holding good and marketable title to the same free and clear of all Encumbrances except Permitted Encumbrances, and has good right and legal authority to assign, deliver, and create a security interest in the Collateral in the manner herein contemplated. The Collateral is not subject to any restriction that would prohibit or restrict the assignment, delivery or creation of the security interests

contemplated hereunder.

A. First Priority Security Interest. This Agreement, together with the filing of Uniform Commercial Code financing statements in the appropriate offices for the locations of Collateral listed in the Officer's Certificate, create a valid and continuing first lien on and perfected security interest in the Collateral (except for property not located in the United States or property in which a security interest may not be perfected by filing of a financing statement under the Uniform Commercial Code), prior to all other Encumbrances other than Permitted Encumbrances, and is enforceable as such against creditors of the Debtor.

A. Sales and Further Encumbrances. The Debtor shall defend its title to, and the Secured Party's interest in, the Collateral against all claims and take any action necessary to remove any Encumbrances other than Permitted Encumbrances and defend the right, title and interest of the Secured Party in and to any of the Secured Party's rights in the Collateral.

A. Accounts: Collection and Delivery of Proceeds. The Debtor will collect all of its Accounts constituting Collateral in the ordinary course of its business consistent with past practices unless and until the Secured Party exercises its rights to collect the Accounts pursuant to this Agreement. After the occurrence and during the continuation of an Event of Default, the Debtor shall, at the request of the Secured Party, notify account debtors of the security interest of the Secured Party in any Account and that payment thereof is to be made directly to the Secured Party. After the occurrence and during the continuance of an Event of Default and upon request of the Secured Party, any proceeds of Accounts or Inventory constituting Collateral received by the Debtor, whether in the form of cash, checks, notes or other instruments, shall be held in trust for the Secured Party and the Debtor shall deliver said proceeds daily to the Secured Party, without commingling, in the identical form received (properly endorsed or assigned where required to enable the Secured Party to collect same).

A. Records of Accounts. The Debtor will, at the request of the Secured Party, retain off-site current copies of all materials created by or furnished to the Debtor on which is recorded then-current information about any computer programs or data bases that the Debtor has developed or otherwise has the right to use from time to time as it relates to Accounts and Inventory only. The Debtor will, after the occurrence and during the continuance of an Event of Default, at the request of the Secured Party, deliver a set of such copies to the Secured Party for safekeeping and retention or transfer in the event of foreclosure.

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A. Further Assurances. Upon the written request of the Secured Party, and at the sole expense of the Debtor, the Debtor will promptly execute and deliver such further instruments and documents and take such further actions as the Secured Party may reasonably deem desirable to obtain the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, filing of any financing statement under the Uniform Commercial Code. The Debtor authorizes the Secured Party to file any such financing statement without the signature of the Debtor to the extent permitted by applicable law, and to file a copy of this Agreement in lieu of a financing statement. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note or other instrument, such note or instrument shall be immediately delivered to the Secured Party, duly endorsed in a manner satisfactory to it.

A. Insurance Proceeds. Other than after the occurrence and during the continuance of an Event of Default, the Debtor shall retain all proceeds of any insurance on the Collateral.

I. Section Notices and Reports Pertaining to Collateral. The Debtor will, with respect to the Collateral:

(a) promptly furnish to the Secured Party, from time to time upon written request, reports in form and detail reasonably satisfactory to the Secured Party setting forth an aging of Accounts and location of all Inventory and after an Default a copy of the names and addresses of all account debtors of the Company with information as to the outstanding balance due from each such account debtor; and

(b) promptly notify the Secured Party of any Encumbrance asserted against the Collateral other than a Permitted Encumbrance, including any attachment, levy, execution or other legal process levied against any of the Collateral;

The Debtor authorizes the Secured Party to, and the Secured Party agrees to, destroy all invoices, delivery receipts, reports and other types of documents and records submitted to the Secured Party in connection with the transactions contemplated herein at any time subsequent to 12 months from the time such items are delivered to the Secured Party.

I. Section Secured Party's Rights with respect to Collateral. The Secured Party may, at its option and at any time, after the occurrence and during the continuance of an Event of Default and after the Guaranteed Obligations have been accelerated in accordance with the terms of the Loan Agreement, without notice or demand on the Debtor, take the following actions with respect to the Collateral:

(a) with respect to any Accounts (i) notify account debtors of the security interest of the Secured Party in such Accounts and that payment thereof is to be made directly to the Secured Party; (ii) demand, collect, and receipt for any amounts relating thereto, as the Secured Party may determine; (iii) commence and prosecute any actions in any court for the purposes of collecting any such Accounts and enforcing any other rights in respect thereof; (iv) defend, settle or compromise any action brought and, in connection therewith, give such discharges or releases as the Secured Party may deem appropriate; (v) endorse checks, notes,

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drafts, acceptances, money orders, bills of lading, warehouse receipts or other instruments or documents evidencing payment, shipment or storage of the goods giving rise to such Accounts or securing or relating to such Accounts, on behalf of and in the name of the Debtor; and (vi) sell, assign, transfer, make any agreement in respect of, or otherwise deal with or exercise rights in respect of, any such Accounts or the goods or services which have given rise thereto, as fully and completely as though the Secured Party were the absolute owner thereof for all purposes; and

(b) with respect to any Inventory make, adjust and settle claims under any insurance policy related thereto.

Except as otherwise provided herein or by law and except for accounting for moneys actually received by it in good funds hereunder, the Secured Party shall have no duty as to the collection or protection of the Collateral nor as to the preservation of any rights pertaining thereto, beyond the safe custody and reasonable care of any Collateral in its possession.

I. Section Set-off Rights. Regardless of the adequacy of any Collateral or any other means of obtaining repayment for any Guaranteed Obligations, the Lenders shall have the right to set off against the bank accounts of the Debtor to the same extent as provided as to the Company under Section 9.3 of the Loan Agreement.

I. Section Defaults. An event of default ("Event of Default") shall exist as provided in Section 7.1 of the Loan Agreement or as provided in Section 4A of the Loan Agreement.

I. Section Secured Party's Rights and Remedies.

(a) So long as any Event of Default shall have occurred and is continuing:

(i) the Secured Party may take immediate possession of the Collateral, and for that purpose the Secured Party may, so far as the Debtor can give authority therefor, enter upon any premises on which any of the Collateral is situated and remove the same therefrom or remain on such premises and in possession of such Collateral for a reasonable period for purposes of conducting a sale or enforcing the rights of the Secured Party;

(ii) the Debtor will, upon demand, assemble the Collateral and make it available to the Secured Party at a place and time designated by the Secured Party that is reasonably convenient to both parties;

(iii) the Secured Party may sell or otherwise dispose of the Collateral at a public or private sale, with or without having the Collateral at the place of sale, and upon such terms and in such manner as the Secured Party may reasonably determine, and the Secured Party may purchase any Collateral at any such sale. Unless the Collateral threatens to decline rapidly in value or is of the type customarily sold on a recognized market, the Secured Party shall send to the Debtor prior written notice (which, if given at least ten days prior to any sale, shall be deemed

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to be reasonable) of the time and place of any public sale of the Collateral or of the time after which any private sale or other disposition thereof is to be made. The Debtor agrees that upon any such sale the Collateral shall be held by the purchaser free from all claims or rights of every kind and nature, including any equity of redemption or similar rights, and all such equity of redemption and similar rights are hereby expressly waived and released by the Debtor. In the event any consent, approval or authorization of any governmental agency is necessary to effectuate any such sale, the Debtor shall execute all applications or other instruments as may be reasonably required; and

(iv) in any jurisdiction where the enforcement of its rights hereunder is sought, the Secured Party shall have, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code.

(b) Prior to any disposition of Collateral pursuant to this Agreement the Secured Party may, at its option, cause any of the Collateral to be repaired or reconditioned (but not upgraded unless mutually agreed) in such manner and to such extent as to make it saleable.

(c) To the extent necessary in connection with the exercise of remedies hereunder, the Secured Party is hereby granted a license or other right to use, upon the occurrence and during the continuance of an Event of Default, without charge, the Debtor's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks and advertising matter, or any property of a similar nature, relating to the Collateral, in completing production of, advertising for sale and selling any Collateral.

(d) The filing of a case under the Bankruptcy Code or similar statute by or against the Company shall not limit the right of the Secured Party on behalf of the Lenders to exercise rights against the Debtor.

(e) The Secured Party shall be entitled to apply the proceeds of any disposition of the Collateral, first, to its reasonable expenses of retaking, holding, protecting and maintaining, and preparing for disposition and disposing of, the Collateral, including reasonably attorneys' fees and other reasonable legal expenses incurred by it in connection therewith; and second, to the payment of the Guaranteed Obligations in accordance with the Loan Agreement.

Any surplus remaining after such application shall be paid to the Debtor or to whomever may be legally entitled thereto, provided that in no event shall the Debtor be credited with any part of the proceeds of the disposition of the Collateral until such proceeds shall have been received in good funds (or the equivalent value if any Collateral is retained) by the Secured Party. The Debtor shall remain liable for any deficiency.

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I. Section Waivers. The Debtor waives presentment, demand, notice, protest, notice of acceptance of this Agreement, notice of any loans made, credit or other extensions granted, Collateral received or delivered or any other action taken in reliance hereon and all other demands and notices of any description, except for such demands and notices as are expressly required to be provided to the Debtor under this Agreement, any other Loan Document or any other document evidencing the Guaranteed Obligations. With respect to both the Guaranteed Obligations and the Collateral, the Debtor assents to any extension or postponement of the time of payment or any other forgiveness or indulgence, to any substitution, exchange or release of Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromise or adjustment of any thereof, all in such manner and at such time or times as the Secured Party may deem advisable. The Secured Party may exercise its rights with respect to the Collateral without resorting, or regard, to other collateral or sources of reimbursement for Guaranteed Obligations. The Secured Party shall not be deemed to have waived any of its rights with respect to the Guaranteed Obligations or the Collateral unless such waiver is in writing and signed by the Secured Party. No delay or omission on the part of the Secured Party in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not bar or waive the exercise of any right on any future occasion. All rights and remedies of the Secured Party in the Guaranteed Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, are cumulative and not exclusive of any remedies provided by law or any other agreement, and may be exercised separately or concurrently.

I. Section Expenses. Guaranteed Obligations shall include all of the expenses provided for in Section 9.2 of the Loan Agreement and in addition all reasonable out-of-pocket expenses of the Secured Party or the Lenders related to the enforcement of this Agreement, the collection, preservation or sale of the Collateral or other reasonable out-of-pocket expense related to the Secured Party's and the Lender's rights hereunder, including, without limitation, reasonable attorneys fees or expenses related to any of the forgoing, including the cost of internal appraisers and examiners.

I. Section Notices. Any demand upon or notice to the Debtor shall be effective when delivered to the Company as provided in Section 9.1 of the Loan Agreement and to the Secured Party if delivered as provided in Section 9.1 of the Loan Agreement.

I. Section Successors and Assigns. This Agreement shall be binding upon the Debtor, the Secured Party, the Lenders, their respective successors and assigns, and shall inure to the benefit of and be enforceable by the Debtor, the Secured Party or any of the Lenders and their respective successors and assigns. Without limiting the generality of the foregoing sentence, the Secured Party and the Lenders may assign or otherwise transfer any agreement or any note held by it evidencing, securing or otherwise executed in connection with the Guaranteed Obligations as provided in the Loan Agreement, or sell participation in any interest therein as provided in the Loan Agreement, to any other person or entity, and such other person or entity shall thereupon become vested, to the extent set forth in the agreement evidencing such assignment, transfer or participation, with all the rights in respect thereof granted to the Secured Party and the Lenders herein.

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I. Section General. This Agreement may not be amended or modified except by a writing signed by the Debtor and the Secured Party (subject to the provisions of Section 9.7 of the Loan Agreement), nor may the Debtor assign any of its rights hereunder. This Agreement and the terms, covenants and conditions hereof shall be construed in accordance with, and governed by, the laws of The Commonwealth of Massachusetts (without giving effect to any conflicts of law provisions contained therein).

I. Section Section Headings. Section headings are for convenience of reference only and are not a part of this Agreement.

I. Section JURY WAIVER. THE SECURED PARTY (BY ITS ACCEPTANCE HEREOF) AND THE DEBTOR AGREE THAT NEITHER OF THEM, NOR ANY ASSIGNEE OR SUCCESSOR SHALL (A) SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM, OR ANY OTHER ACTION BASED UPON, OR ARISING OUT OF, THIS AGREEMENT, ANY RELATED INSTRUMENTS, ANY COLLATERAL OR THE DEALINGS OR THE RELATIONSHIP BETWEEN OR AMONG ANY OF THEM, OR (B) SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THE PROVISIONS OF THIS PARAGRAPH HAVE BEEN FULLY DISCUSSED BY THE SECURED PARTY AND THE DEBTOR, AND THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS. NEITHER THE SECURED PARTY NOR THE DEBTOR HAS AGREED WITH OR REPRESENTED TO THE OTHER THAT THE PROVISIONS OF THIS PARAGRAPH WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

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IN WITNESS WHEREOF, the Debtor has caused this Agreement to be duly executed as an instrument under seal as of the date first written above.

WITNESS: DEBTOR: GUESS? LICENSING, INC.

By:

Title:

Accepted and Agreed to:

BANKBOSTON, N.A. as Agent for the Lenders

By:

Title:

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OFFICER'S CERTIFICATE

to

SECURITY AGREEMENT

Dated JANUARY 30, 1998

GUESS ? LICENSING, Inc. (the "Debtor"), hereby certifies, with reference to a certain Security Agreement dated January 30, 1998 (terms defined in such Security Agreement having the same meanings herein as specified therein), between the Debtor and BankBoston, N.A. (the "Agent"), to the Agent and the Lenders as follows:

1. Names.

(a) The exact corporate name of the Debtor and its taxpayer identification number is as follows:

Guess ? Licensing, Inc. ; 95-4-660504

(b) The following is a list of all other names (including trade names or similar appellations) used by the Debtor, or any other business or organization to which the Debtor became the successor by merger, consolidation, acquisition, change in form, nature or jurisdiction of organization or otherwise, now or at any previous time:

None.

2. Locations.

(a) The chief executive office of the Debtor is located at the following address:

1444 South Alameda Street
Los Angeles, California 90021

(b) The following are is a list of all other locations in the United States of America in which the Debtor maintains any books or records relating to any of the Collateral:

NONE

Within the last four months, if different:

(c) Set forth on Schedule 2 (c) hereto are all the other places of business of the Debtor in the United States of America where Collateral is located.

(d) The following are the names and addresses of all persons or entities other than the Debtor, such as lessees, consignees or warehousemen that have possession or are intended to have possession of any of the Collateral consisting of Inventory:

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Currently:

Street and Number	County	State	Zip Code
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Within the last four months, if different:

Street and Number	County	State	Zip Code
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IN WITNESS WHEREOF, this Certificate has been executed on behalf of the Debtor by its duly authorized officer on this 30th day January, 1998.

GUESS ? LICENSING, INC.

By:

Title:

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BANKBOSTON, N.A.
formerly known as The First National Bank of Boston

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement") made as of January 30, 1998 by GUESS ? RETAIL, INC., a Delaware corporation with its chief executive offices at 1444 South Alameda St., Los Angeles CA 90021 (the "Debtor") in favor of BANKBOSTON, N.A., formerly known as THE FIRST NATIONAL BANK OF BOSTON, a national banking association with its head office at 100 Federal Street, Boston, Massachusetts 02110 (sometimes referred to as the "Agent") as agent for itself and for the Lenders parties to the Loan Agreement referred to below (the "Lenders") (the "Secured Party").

WHEREAS, Guess?, Inc (the "Company"), the Secured Party and the Lenders entered into as of March 28, 1997 an Amended and Restated Revolving Credit Agreement (the "Loan Agreement") (all terms not otherwise defined shall have the meaning provided in the Loan Agreement) and;

WHEREAS, on December 31, 1997, the Company transferred to the Debtor certain of its assets comprised of certain leases of retail stores, the inventory in those stores and related items of collateral; and

WHEREAS, the Secured Party and the Lenders consented to the transfer from the Company to the Debtor on the condition that the Debtor would guarantee the Guaranteed Obligations of the Company to the Secured Party and the Lenders and grant a security interest in its assets as provided in this security agreement;

WHEREAS, the Company, the Debtor, Guess? Licensing, Inc, the Secured Party and the Lenders have entered into a Second Amendment and Consent to the Loan Agreement by which the Debtor has agreed to guarantee the Guaranteed Obligations as defined in the Loan Agreement.

NOW THEREFORE, for value received, the receipt and legal sufficiency of which is hereby acknowledged, the Debtor hereby agrees as follows:

I. Section Definitions. All capitalized terms used herein or in any certificate, report or other document delivered pursuant to this Agreement shall have the meanings assigned to them below or in the Loan Agreement (unless otherwise defined). Except as otherwise defined, terms defined in the Uniform Commercial Code shall have the meanings set forth therein.

Accounts. All rights of the Debtor to payment for goods sold or leased or for services rendered, all sums of money or other proceeds due or becoming due thereon, all instruments evidencing any such right, all guarantees of and security for any such right, and the Debtor's rights pertaining to and interest in such goods, including the right of stoppage in transit, replevin or reclamation, all chattel paper evidencing any such right and all other property constituting "accounts" as such term is defined in the Uniform Commercial Code.

Collateral. See Section 2.

General Intangibles. All "general intangibles" as such term is defined in the Uniform Commercial Code, but specifically excluding any trademarks, trade names, patents, copyrights and any other intellectual property, other than an Account arising from the licensing of any of the foregoing.

Inventory. All goods, merchandise and other personal property of the Debtor that are held for sale, lease or other disposition, or for display or demonstration, or leased or consigned, or that are raw materials, piece goods, work-in-process or materials used or consumed or to be used or consumed in the Debtor's business, whether in transit or in the possession of the Debtor or another, including without limitation all goods covered by purchase orders and contracts with suppliers and all goods billed and held by suppliers and goods located on the premises of any carriers, forwarding agents, truckers, warehousemen, vendors, selling agents or other third parties; all display materials relating to any of the foregoing; all warehouse receipts and other negotiable and non-negotiable documents of title covering any of the foregoing; and all other property constituting "inventory" as such term is defined in the Uniform Commercial Code.

Officer's Certificate. A certificate signed by an officer of the Debtor authorized in the resolution delivered herewith in the form attached hereto and delivered concurrently herewith.

Uniform Commercial Code. The Uniform Commercial Code as in effect in the Commonwealth of Massachusetts.

I. Section Grant. To secure the payment and performance of the Debtor's guarantee of the Guaranteed Obligations, the Debtor hereby assigns and pledges to the Secured Party and grants to the Secured Party a continuing security interest in all of its rights, title and interest in, whether now owned or existing or hereafter arising or acquired, all Inventory and Accounts, and any and all additions, substitutions, replacements and accessions to any of the foregoing; and all proceeds and products of any of the foregoing (including, without limitation, proceeds which constitute Accounts, Inventory or General Intangibles) (collectively, the "Collateral").

I. Section Representations, Warranties and Covenants. The Debtor makes the following representations and warranties, and agrees to the following covenants, each of which representations, warranties and covenants shall be continuing and in force so long as this Agreement is in effect:

A. Name; Debtor/Collateral Location; Changes.

(a) The name of the Debtor set forth on the first page hereof is the true and correct legal name of the Debtor, and except as otherwise disclosed to the Secured Party in the Officer's Certificate, the Debtor has not done business as or used any other name.

(b) The address of the Debtor set forth on the first page hereof is the Debtor's chief executive office (the "Chief Executive Office") and the place where its business records are kept. Except (i) as disclosed on the Officer's Certificate, (ii) Collateral in transit between locations disclosed on the Officers Certificate and the Chief Executive Office, and (iii) Collateral in transit between the Company and the Debtor, all of the tangible Collateral is located at the Chief

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Executive Office and at the retail locations listed in the Officers Certificate.

(c) The Debtor will not change its name, identity or organizational structure or the Chief Executive Office or place where its business records

are kept, or move any tangible Collateral to a location other than (i) those set forth in the Officer's Certificate, (ii) Collateral in transit between locations disclosed on the Officers Certificate and the Chief Executive Office and (iii) Collateral in transit between the Company and the Debtor, unless the Debtor shall have given the Secured Party at least 30 days' prior written notice thereof and shall have delivered to the Secured Party such new Uniform Commercial Code financing statements or other documentation as may be necessary or required by the Secured Party to ensure the continued perfection and priority of the security interests granted by this Agreement.

A. Ownership of Collateral; Absence of Liens and Restrictions. The Debtor is, and in the case of property acquired after the date hereof, will be, the sole legal and equitable owner of the Collateral, holding good and marketable title to the same free and clear of all Encumbrances except Permitted Encumbrances, and has good right and legal authority to assign, deliver, and create a security interest in the Collateral in the manner herein contemplated. The Collateral is not subject to any restriction that would prohibit or restrict the assignment, delivery or creation of the security interests contemplated hereunder.

A. First Priority Security Interest. This Agreement, together with the filing of Uniform Commercial Code financing statements in the appropriate offices for the locations of Collateral listed in the Officer's Certificate, create a valid and continuing first lien on and perfected security interest in the Collateral (except for property not located in the United States or property in which a security interest may not be perfected by filing of a financing statement under the Uniform Commercial Code), prior to all other Encumbrances other than Permitted Encumbrances, and is enforceable as such against creditors of the Debtor.

A. Sales and Further Encumbrances. The Debtor shall defend its title to, and the Secured Party's interest in, the Collateral against all claims and take any action necessary to remove any Encumbrances other than Permitted Encumbrances and defend the right, title and interest of the Secured Party in and to any of the Secured Party's rights in the Collateral.

A. Accounts: Collection and Delivery of Proceeds. The Debtor will collect all of its Accounts constituting Collateral in the ordinary course of its business consistent with past practices unless and until the Secured Party exercises its rights to collect the Accounts pursuant to this Agreement. After the occurrence and during the continuation of an Event of Default, the Debtor shall, at the request of the Secured Party, notify account debtors of the security interest of the Secured Party in any Account and that payment thereof is to be made directly to the Secured Party. After the occurrence and during the continuance of an Event of Default and upon request of the Secured Party, any proceeds of Accounts or Inventory constituting Collateral received by the Debtor, whether in the form of cash, checks, notes or other instruments, shall be held in trust for the Secured Party and the Debtor shall deliver said proceeds daily to the Secured Party, without commingling, in the

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identical form received (properly endorsed or assigned where required to enable the Secured Party to collect same).

A. Records of Accounts. The Debtor will, at the request of the Secured Party, retain off-site current copies of all materials created by or furnished to the Debtor on which is recorded then-current information about any computer programs or data bases that the Debtor has developed or otherwise has the right to use from time to time as it relates to Accounts and Inventory only. The Debtor will, after the occurrence and during the continuance of an Event of Default, at the request of the Secured Party, deliver a set of such copies to the Secured Party for safekeeping and retention or transfer in the event of foreclosure.

A. Further Assurances. Upon the written request of the Secured Party, and at the sole expense of the Debtor, the Debtor will promptly execute and deliver such further instruments and documents and take such further actions as the Secured Party may reasonably deem desirable to obtain the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, filing of any financing statement under the Uniform Commercial Code. The Debtor authorizes the Secured Party to file any such financing statement without the signature of the Debtor to the extent permitted by applicable law, and to file a copy of this Agreement in lieu of a financing statement. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note or other instrument, such note or instrument shall be immediately delivered to the Secured Party, duly endorsed in a manner satisfactory to it.

A. Insurance Proceeds. Other than after the occurrence and during the continuance of an Event of Default, the Debtor shall retain all proceeds of any insurance on the Collateral.

I. Section Notices and Reports Pertaining to Collateral. The Debtor will, with respect to the Collateral:

(a) promptly furnish to the Secured Party, from time to time upon written request, reports in form and detail reasonably satisfactory to the Secured Party setting forth an aging of Accounts and location of all Inventory and after an Default a copy of the names and addresses of all account debtors of the Company with information as to the outstanding balance due from each such account debtor; and

(b) promptly notify the Secured Party of any Encumbrance asserted against the Collateral other than a Permitted Encumbrance, including any attachment, levy, execution or other legal process levied against any of the Collateral;

The Debtor authorizes the Secured Party to, and the Secured Party agrees to, destroy all invoices, delivery receipts, reports and other types of documents and records submitted to the Secured Party in connection with the transactions contemplated herein at any time subsequent to 12 months from the time such items are delivered to the Secured Party.

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I. Section Secured Party's Rights with respect to Collateral. The Secured Party may, at its option and at any time, after the occurrence and during the continuance of an Event of Default and after the Guaranteed Obligations have been accelerated in accordance with the terms of the Loan Agreement, without notice or demand on the Debtor, take the following actions with respect to the Collateral:

(a) with respect to any Accounts (i) notify account debtors of the security interest of the Secured Party in such Accounts and that payment thereof is to be made directly to the Secured Party; (ii) demand, collect, and receipt for any amounts relating thereto, as the Secured Party may determine; (iii) commence and prosecute any actions in any court for the purposes of collecting any such Accounts and enforcing any other rights in respect thereof; (iv) defend, settle or compromise any action brought and, in connection therewith, give such discharges or releases as the Secured Party may deem appropriate; (v) endorse checks, notes, drafts, acceptances, money orders, bills of lading, warehouse receipts or other instruments or documents evidencing payment, shipment or storage of the goods giving rise to such Accounts or securing or relating to such Accounts, on behalf of and in the name of the Debtor; and (vi) sell, assign, transfer, make any agreement in respect of, or otherwise deal with or exercise rights in respect of, any such Accounts or the goods or services which have given rise thereto, as fully and completely as though the Secured Party were the absolute owner thereof for all purposes; and

(b) with respect to any Inventory make, adjust and settle claims under any insurance policy related thereto.

Except as otherwise provided herein or by law and except for accounting for moneys actually received by it in good funds hereunder, the Secured Party shall have no duty as to the collection or protection of the Collateral nor as to the preservation of any rights pertaining thereto, beyond the safe custody and reasonable care of any Collateral in its possession.

I. Section Set-off Rights. Regardless of the adequacy of any Collateral or any other means of obtaining repayment for any Guaranteed Obligations, the Lenders shall have the right to set off against the bank accounts of the Debtor the to the same extent as provided as to the Company under Section 9.3 of the Loan Agreement.

I. Section Defaults. An event of default ("Event of Default") shall exist as provided in Section 7.1 of the Loan Agreement or as provided in Section 4A of the Loan Agreement.

I. Section Secured Party's Rights and Remedies.

(a) So long as any Event of Default shall have occurred and is continuing:

(i) the Secured Party may take immediate possession of the Collateral, and for that purpose the Secured Party may, so far as the Debtor can give authority therefor, enter upon any premises on which any of the Collateral is situated and remove the same therefrom or remain on such premises and in possession of such Collateral for a reasonable period for

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purposes of conducting a sale or enforcing the rights of the Secured Party;

(ii) the Debtor will, upon demand, assemble the Collateral and make it available to the Secured Party at a place and time designated by the Secured Party that is reasonably convenient to both parties;

(iii) the Secured Party may sell or otherwise dispose of the Collateral at a public or private sale, with or without having the Collateral at the place of sale, and upon such terms and in such manner as the Secured Party may reasonably determine, and the Secured Party may purchase any Collateral at any such sale. Unless the Collateral threatens to decline rapidly in value or is of the type customarily sold on a recognized market, the Secured Party shall send to the Debtor prior written notice (which, if given at least ten days prior to any sale, shall be deemed to be reasonable) of the time and place of any public sale of the Collateral or of the time after which any private sale or other disposition thereof is to be made. The Debtor agrees that upon any such sale the Collateral shall be held by the purchaser free from all claims or rights of every kind and nature, including any equity of redemption or similar rights, and all such equity of redemption and similar rights are hereby expressly waived and released by the Debtor. In the event any consent, approval or authorization of any governmental agency is necessary to effectuate any such sale, the Debtor shall execute all applications or other instruments as may be reasonably required; and

(iv) in any jurisdiction where the enforcement of its rights hereunder is sought, the Secured Party shall have, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code.

(b) Prior to any disposition of Collateral pursuant to this Agreement the Secured Party may, at its option, cause any of the Collateral to be repaired or reconditioned (but not upgraded unless mutually agreed) in such manner and to such extent as to make it saleable.

(c) To the extent necessary in connection with the exercise of remedies hereunder, the Secured Party is hereby granted a license or other right to use, upon the occurrence and during the continuance of an Event of Default, without charge, the Debtor's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks and advertising matter, or any property of a similar nature, relating to the Collateral, in completing production of, advertising for sale and selling any Collateral.

(d) The filing of a case under the Bankruptcy Code or similar statute by or against the Company shall not limit the right of the Secured Party on behalf of the Lenders to exercise rights against the Debtor.

(e) The Secured Party shall be entitled to apply the proceeds of any disposition of the Collateral, first, to its reasonable expenses of

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retaking, holding, protecting and maintaining, and preparing for disposition and disposing of, the Collateral, including reasonably attorneys' fees and other reasonable legal expenses incurred by it in connection therewith; and second, to the payment of the Guaranteed Obligations in accordance with the Loan Agreement. Any surplus remaining after such application shall be paid to the Debtor or to whomever may be legally entitled thereto, provided that in no event shall the Debtor be credited with any part of the proceeds of the disposition of the Collateral until such proceeds shall have been received in good funds (or the equivalent value if any Collateral is retained) by the Secured Party. The Debtor shall remain liable for any deficiency.

I. Section Waivers. The Debtor waives presentment, demand, notice, protest, notice of acceptance of this Agreement, notice of any loans made, credit or other extensions granted, Collateral received or delivered or any other action taken in reliance hereon and all other demands and notices of any description, except for such demands and notices as are expressly required to be provided to the Debtor under this Agreement, any other Loan Document or any other document evidencing the Guaranteed Obligations. With respect to both the Guaranteed Obligations and the Collateral, the Debtor assents to any extension or postponement of the time of payment or any other forgiveness or indulgence, to any substitution, exchange or release of Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromise or adjustment of any thereof, all in such manner and at such time or times as the Secured Party may deem advisable. The Secured Party may exercise its rights with respect to the Collateral without resorting, or regard, to other collateral or sources of reimbursement for Guaranteed Obligations. The Secured Party shall not be deemed to have waived any of its rights with respect to the Guaranteed Obligations or the Collateral unless such waiver is in writing and signed by the Secured Party. No delay or omission on the part of the Secured Party in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not bar or waive the exercise of any right on any future occasion. All rights and remedies of the Secured Party in the Guaranteed Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, are cumulative and not exclusive of any remedies provided by law or any other agreement, and may be exercised separately or concurrently.

I. Section Expenses. Guaranteed Obligations shall include all of the expenses provided for in Section 9.2 of the Loan Agreement and in addition all reasonable out-of-pocket expenses of the Secured Party or the Lenders related to the enforcement of this Agreement, the collection, preservation or sale of the Collateral or other reasonable out-of-pocket expense related to the Secured Party's and the Lender's rights hereunder, including, without limitation, reasonable attorneys fees or expenses related to any of the forgoing, including the cost of internal appraisers and examiners.

I. Section Notices. Any demand upon or notice to the Debtor shall be effective when delivered to the Company as provided in Section 9.1 of the Loan Agreement and to the Secured Party if delivered as provided in the Section 9.1 of the Loan Agreement.

I. Section Successors and Assigns. This Agreement shall be binding upon the Debtor, the Secured Party, the Lenders, their respective successors and assigns, and shall inure to the benefit of and

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be enforceable by the Debtor, the Secured Party or any of the Lenders and their respective successors and assigns. Without limiting the generality of the foregoing sentence, the Secured Party and the Lenders may assign or otherwise transfer any agreement or any note held by it evidencing, securing or otherwise executed in connection with the Guaranteed Obligations as provided in the Loan Agreement, or sell participation in any interest therein as provided in the Loan Agreement, to any other person or entity, and such other person or entity shall thereupon become vested, to the extent set forth in the agreement evidencing such assignment, transfer or participation, with all the rights in respect thereof granted to the Secured Party and the Lenders herein.

I. Section General. This Agreement may not be amended or modified except by a writing signed by the Debtor and the Secured Party (subject to the provisions of Section 9.7 of the Loan Agreement), nor may the Debtor assign any of its rights hereunder. This Agreement and the terms, covenants and conditions hereof shall be construed in accordance with, and governed by, the laws of The Commonwealth of Massachusetts (without giving effect to any conflicts of law provisions contained therein).

I. Section Section Headings. Section headings are for convenience of reference only and are not a part of this Agreement.

I. Section JURY WAIVER. THE SECURED PARTY (BY ITS ACCEPTANCE HEREOF) AND THE DEBTOR AGREE THAT NEITHER OF THEM, NOR ANY ASSIGNEE OR SUCCESSOR SHALL (A) SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM, OR ANY OTHER ACTION BASED UPON, OR ARISING OUT OF, THIS AGREEMENT, ANY RELATED INSTRUMENTS, ANY COLLATERAL OR THE DEALINGS OR THE RELATIONSHIP BETWEEN OR AMONG ANY OF THEM, OR (B) SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THE PROVISIONS OF THIS PARAGRAPH HAVE BEEN FULLY DISCUSSED BY THE SECURED PARTY AND THE DEBTOR, AND THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS. NEITHER THE SECURED PARTY NOR THE DEBTOR HAS AGREED WITH OR REPRESENTED TO THE OTHER THAT THE PROVISIONS OF THIS PARAGRAPH WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

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IN WITNESS WHEREOF, the Debtor has caused this Agreement to be duly executed as an instrument under seal as of the date first written above.

WITNESS: DEBTOR: GUESS? RETAIL, INC.

By:

Title:

Accepted and Agreed to:

BANKBOSTON, N.A. as Agent for the Lenders

By: _____
Title:

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OFFICER'S CERTIFICATE

to

SECURITY AGREEMENT

Dated JANUARY 30, 1998

GUESS ? Retail, Inc. (the "Debtor"), hereby certifies, with reference to a certain Security Agreement dated January 30, 1998 (the "Security Agreement") (terms defined in such Security Agreement having the same meanings herein as specified therein), between the Debtor and BankBoston, N.A. (the "Agent"), to the Agent and the Lenders as follows:

1. Names.

(a) The exact corporate name of the Debtor and its taxpayer identification number are as follows:

Guess ? Retail, Inc.; 95-4-660502

(b) The following is a list of all other names (including trade names or similar appellations) used by the Debtor, or any other business or organization to which the Debtor became the successor by merger, consolidation, acquisition, change in form, nature or jurisdiction of organization or otherwise, now or at any previous time:

None.

2. Locations.

(a) The chief executive office of the Debtor is located at the following address:

1444 South Alameda Street
Los Angeles, California 90021

(b) The following are is a list of all other locations in the United States of America in which the Debtor maintains any books or records relating to any of the Collateral:

See Schedule 2 (b)

Within the last four months, if different:

(c) Set forth on Schedule 2 (c) hereto are all the other places of

business of the Debtor in the United States of America where Collateral is located.

(d) The following are the names and addresses of all persons or entities other than the Debtor, such as lessees, consignees or

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warehousemen that have possession or are intended to have possession of any of the Collateral consisting of Inventory:

Currently:

Street and Number	County	State	Zip Code
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Within the last four months, if different:

Street and Number	County	State	Zip Code
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IN WITNESS WHEREOF, this Certificate has been executed on behalf of the Debtor by its duly authorized officer on this 30th day January, 1998.

GUESS ? Retail, Inc.

By:

Title:

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FOOTER B HAS BEEN ENTERED (DRAFT) EXHIBIT K

TRANSACTIONS WITH AFFILIATES

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

So long as each of Retailing and Licensing is a Guarantor and a wholly-owned Subsidiary of the Company, any transactions between or among any of the Company, Licensing and Retailing shall not constitute prohibited transactions under Section 6.11 of the Credit Agreement.

Mergers

On August 13, 1996, Marciano International, which was wholly owned by the Marciano Trusts, was merged with and into the Company in connection with the initial public offering. Consideration paid to the Marciano Trusts was \$300,000.

License Arrangements and Licensee Transactions

The Company has a licensing agreement with Charles David of California ("Charles David"). Charles David is controlled by the father-in-law of Maurice Marciano. The Marciano Trusts and Nathalie Marciano (the spouse of Maurice Marciano) together own 50% of the Charles David, and the remaining 50% is owned by the father-in-law of Maurice Marciano. The Licensing 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 'r' 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 year ended December 31, 1996 was \$1.5 million. Additionally, the Company purchased \$6.0 million of product from Charles David for resale in the Company's retail stores during the same period.

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 men's and women's activewear, which bear the Guess 'r' 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 year ended December 31, 1996 was \$742,000. Additionally, the Company purchased \$1.4 million of product from California Sunshine for resale in the Company's retail stores during the same period.

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 rights to other parts of Europe to manufacture and distribute men's and women's apparel and accessories, which bear the Guess 'r' logo and trademark. Prior to the

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initial public offering, Guess Italia was owned 79% by the Company and 21% by Marciano International, a company wholly owned by the Marciano Trusts. As part of the reorganization in connection with the initial public offering, Guess Italia became a wholly-owned subsidiary of the Company when Marciano International was merged with and into the Company. Gross royalties earned by the Company under such license agreement for the fiscal year ended December 31, 1996 was \$766,000. Additionally, the Company purchased \$327,000, of product from Guess? Italia and sold \$89,000, of product for resale in Guess? Italia's retail store and to other wholesale customers during the fiscal year ended December 3, 1996. All inter-company transactions were eliminated during consolidation.

Effective December 9, 1992, the Company entered into a licensing agreement with Nantucket Industries ("Nantucket"), granting it the rights to manufacture and distribute women's intimate apparel within the United States, which bear the Guess 'r' logo and trademark. Nantucket is owned 13.0% by the Company and 7.6% by the Marciano Trusts. During the fiscal year ended December 31, 1996, the Company recorded gross royalty income of \$327,000, purchased \$416,000 of product for resale in its retail stores, and recorded an equity loss of \$349,000.

Effective December 1, 1989, the Company entered into a licensing agreement with Strandel, Inc. ("Strandel"), granting it the rights to manufacture and distribute Men's, Women's and Children's Knits and woven sportswear in Canada, which bear the Guess 'r' logo and trademark. Strandel is owned 20% by the Company. During the fiscal year ended December 31, 1996, the Company recorded gross royalty income \$1.8 million and recorded an equity loss of \$127,000.

On January 1, 1997, the Company acquired a limited partnership interest of 24.75% in S.W.P.I., Ltd., a California limited partnership, in which the Marciano Trusts have a 76.25% interest, from Pour Le Bebe, Inc., a California corporation, as payment in lieu of unpaid license fees due November 1, 1996. The limited partnership interest of 24.75% in S.W.P.I., Ltd. was valued at \$1.4

million by the Company.

Purchasing Agent Agreement

On May 3, 1994, the Company entered into an agreement with Ranche, Ltd. ("Ranche"), a wholly owned subsidiary of Guess Europe, BV ("GEBV") 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 Company and the Marciano Trusts then held indirect ownership interest of 25% and 25%, respectively. In connection with the initial public offering, the Marciano Trusts' indirect interest in Newtimes was transferred to the Company. Ranche earned commissions of \$192,000 during the period in 1996 in which the agreement was still active. In addition, Ranche operates earned by the Company under such license for the fiscal year ended December 31, 1996 was \$383,000.

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 cost of finished garments purchased for the Company by Newtimes. Commissions earned by Newtimes during the fiscal year ended December 31, 1996 and \$624,000. Additionally, the Company recorded \$190,000 in equity losses during 1996.

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Leases

The Company leases manufacturing, warehouse and administrative facilities and one retail administrative facility from partnerships affiliated with certain Stockholders of the Company. The leases in effect at December 31, 1996 will expire in July 2008. Aggregate lease payments under leases in effective for the fiscal year ended December 31, 1996 were \$2.9 million.

The Company currently rents, on a month-to-month basis, a portion of a remote Guess facility to Southwest Pacific Investment Company ("SWPI"), an entity owned by the Marciano Trusts. Monthly rental charges are \$11,000, effective August 1, 1996. An aggregate of \$57,000 was paid by SWPI to the Company during 1996.

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10.33. Third Amendment and Consent to the Amended and Restated Revolving Credit Agreement by and between Guess ?, Inc. And BankBoston, N.A., F/K/A The First National Bank of Boston, Sanwa Bank California and the Financial Institutions Party Hereto.

THIRD AMENDMENT AND CONSENT

TO

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

BY AND BETWEEN

GUESS ?, INC.

AND

BANKBOSTON, N.A.
F/K/A THE FIRST NATIONAL BANK OF BOSTON,

SANWA BANK CALIFORNIA

AND

THE FINANCIAL INSTITUTIONS PARTY HERETO

Dated as of March 29, 1998

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THIRD AMENDMENT AND CONSENT

TO

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

This Third Amendment and Consent to Amended and Restated Revolving Credit Agreement (this "Agreement") is entered into as of March 29, 1998, by and between GUESS ?, INC., a Delaware corporation having its chief executive office at 1444 S. Alameda Street, Los Angeles, California, 90021 (the "Company") and BankBoston, N.A. formerly THE FIRST NATIONAL BANK OF BOSTON, a bank with its head offices at 100 Federal Street, Boston, Massachusetts, 02110 (the "Agent"), SANWA BANK CALIFORNIA, a bank with its head offices at 601 South Figueroa Street, Los Angeles, California 90017 (the "Co-Agent"), and THE FINANCIAL INSTITUTIONS PARTIES HERETO (the "Lenders").

RECITALS

I. The parties hereto have previously entered into that certain Amended and Restated Revolving Credit Agreement, dated as of March 28, 1997 as amended by the First Amendment and Waiver to the Amended and Restated Revolving Credit Agreement dated as of April 30, 1997 and the Second Amendment and Consent to the Amended and Restated Revolving Credit Agreement dated as of January 30, 1998 (collectively the "Credit Agreement");

A. As a condition of the Waiver Agreement dated as of March 6, 1998 (the "Waiver Agreement"), the Company agreed to enter into this Third Amendment to the Amended and Restated Revolving Credit Agreement (the "Third Amendment") ;

A. By this Third Amendment, The Industrial Bank of Japan, Limited, Los Angeles Agency is removed as a Lender and the Lenders and the Lender's

Percentage has been revised as provided on revised Schedule J to the Third Amendment; and

A. The Company, the Agent and the Lenders have agreed to modify the Credit Agreement as provided below.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and agreements contained in this Amendment and Waiver and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree to the above Recitals and as follows:

1. Definitions. All defined terms used herein without definition shall have the meanings assigned to them in the Credit Agreement.

1. Amendments to the Credit Agreement. From and after the date hereof the Credit Agreement is hereby amended as follows:

a. The Credit Agreement is amended by the deletion of the definition of the Eurodollar Spread and the addition of the following definition of "Applicable Margin" to read as follows:

Applicable Margin. Shall equal the following percentage margins as to each of the interest rates or percentages as to Letters of Credit for each and every quarter in which the Company falls within the following range of ratios for the fiscal quarter then most recently ended, as certified by the chief

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financial officer of the Company to the Agent pursuant to Section 5.1(c), of both Indebtedness for Money Borrowed less the Fair Market Value (as hereinafter defined) of the Senior Subordinated Notes held by the Company or any of its Wholly Owned Subsidiaries (to the extent such Senior Subordinated Notes are included in the calculation of Indebtedness for Money Borrowed; but only so long as the Fair Market Value of such Senior Subordinated Notes so held is not less than 80% of the principal amount of such Senior Subordinated Notes), as of the fiscal quarter then ended to Consolidated Cash Flow ("Leverage") for the prior four fiscal quarters and Consolidated EBITDA less Capital Expenditures to Consolidated Total Interest Expense ("Coverage") for the prior four fiscal quarters:

Level	Leverage	Coverage	Adjusted Eurodollar Rate +	Base Rate +	Standby Letters of Credit Fee per Annum	Documentary Letter of Credit Fee
1	greater than 4.00 to 1	greater than or equal to 2.75 to 1	1.75%	-0-	1.75%	.875%
2	greater than 3.00 to 1, but less than or equal to 4.00 to 1	greater than or equal to 3.00 to 1	1.50%	-0-	1.50%	.750%
3	greater than	greater than or	1.25%	(.50%)	1.25%	.625%

	2.25 to 1, but less than or equal to 3.00 to 1	equal to 3.50 to 1				
4	greater than 1.75 to 1, but less than or equal to 2.25 to 1	greater than or equal to 4.00 to 1	1.00%	(.50%)	1.00%	.50%
5	less than or equal to 1.75 to 1	greater than or equal to 4.50 to 1	.75%	(.50%)	.75%	.50%

provided, that (i) for the fiscal year ending December 31, 1998, regardless of the actual Leverage and Coverage, the Applicable Margin shall not be reduced below Level 3, set forth above, (ii) any change in pricing shall be effective on and after receipt by the Agent of the financial statement showing such ratio, (iii) if financial statements are not received as provided in Section 5.1, the Applicable Margin shall be at Level 1 until such compliance statement is received. The term "Fair Market Value" as used herein with respect to the Senior Subordinated Notes shall mean the price for such notes quoted by PaineWebber, Inc. on the date of such calculation of the Applicable Margin.

a. The Credit Agreement is amended by deleting the definition of "Commitment Amount" and substituting the following definition to read as follows:

Commitment Amount . \$86,875,000 or any lesser amount, including zero, resulting from a termination or reduction of such amount in accordance with Section 2.5 or Section 7.2 .

a. The Credit Agreement is amended by deleting the definition "Letter of Credit Sublimit" and substituting the following definition to read as follows:

Letter of Credit Sublimit. The sum of the outstanding amount of all Letters of Credit, which shall not exceed \$25,000,000 at any time.

a. Section 2.1(a) of the Credit Agreement is deleted in its entirety and amended to read as follows:

(a) Subject to the terms and conditions hereof, the Lenders will make Revolving Loans to the Company, from time to time until the close of business on the Revolving Credit Termination Date, in such sums as the Company may request, provided that the aggregate principal amount of all Loans plus the outstanding amount of all Letters of Credit at any one time outstanding hereunder shall not exceed the Commitment Amount; that the aggregate Revolving Loans may not exceed \$20,000,000 for a period of 30 consecutive days during each 12 month period commencing April 1, 1998 . The Company may borrow, prepay pursuant to Section 2.12 and reborrow, from the date of this Agreement until the Revolving Credit Termination Date, the full amount of the Commitment Amount, (other than a 30 day period in each 12 months as provided in the prior sentence) or any lesser sum that is at least \$100,000 and an

integral multiple of \$100,000. Any Revolving Loan not repaid by the Revolving Credit Termination Date shall be due and payable on the Revolving Credit Termination Date.

a. Section 2.1(c) of the Credit Agreement is deleted in its entirety and amended to read as follows:

(c) The proceeds of the Revolving Loans shall be used by the Company exclusively for working capital purposes, except that, up to \$75,000,000 (reduced as provided in Section 5.13) of the Commitment Amount may be used, in the aggregate, to repurchase some or all of the Senior Subordinated Notes and fund the Stock Repurchase Program, provided that the Company shall demonstrate that it will comply with provisions of Sections 5.13

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and 6.8 (xiv) of this Agreement and the Company may not repurchase any additional Senior Subordinated Notes or fund the Stock Repurchase Program prior to October 1, 1998 and shall only make such purchases or do such funding thereafter with the consent of the Majority Lenders.

a. Section 2.4 of the Credit Agreement is deleted in its entirety and amended to read as follows:

2.4 Commitment Fee. The Company shall pay to the Agent for the benefit of the Lenders during the Revolving Credit Period a commitment fee (the "Commitment Fee") computed at the rate of 0.25% per annum on the average daily amount of the unborrowed portion of the Commitment Amount less the average daily amount of the outstanding amount of all Letters of Credit during each quarter or portion thereof. Commitment fees shall be payable quarterly in arrears, on the last Business Day of each of March, June, September and December of each year and on the last day of the Revolving Credit Period.

a. Sections 2.8 (a) and 2.8 (b) of the Credit Agreement are deleted in their entirety and amended to read as follows:

(a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof at a rate per annum equal to the Base Rate plus the Applicable Margin, which rate shall change contemporaneously with any change in the Base Rate. Such interest shall be payable on the last day of each month, and when such Loan is due (whether at maturity, by reason of acceleration or otherwise).

(b) Each Eurodollar Loan shall bear interest on the outstanding principal amount thereof, for each Interest Period applicable thereto, at a rate per annum equal to the Adjusted Eurodollar Rate plus the Applicable Margin. Such interest shall be payable for such Interest Period on the last day thereof and when such Eurodollar Loan is due (whether at maturity, by reason of acceleration or otherwise) and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof.

a. Section 2.16 and 2.17 of the Credit Agreement are deleted in their entirety and amended to read as follows:

2.16 Letters of Credit.

(a) General. Subject to the terms and conditions set forth herein in addition to the Loans provided for in Section 2.1, as long as any Event of Default or Default has not occurred and is not continuing, the Company may request the issuance of Letters of

Credit for its own account by the Agent, in a form reasonably acceptable to the Agent, at any time and from time to time during the Revolving Credit Period. Letters of Credit issued hereunder shall constitute utilization of the Commitment. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Company to, or entered into by the Company with, the Agent relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

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(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Company shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Agent) to the Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, the date of issuance, amendment, renewal or extension, the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section 2.16), the amount of such Letter of Credit, the name and address of the beneficiary thereof, and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. As required by the Agent, the Company also shall submit a letter of credit application on the Agent's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Company shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the aggregate Letter of Credit exposure of the Agent, including unpaid drawings under Letters of Credit (determined for these purposes without giving effect to the participations therein of the Lenders pursuant to paragraph (d) of this Section 2.16) shall not exceed the Letter of Credit Sublimit, and (ii) the total of all outstanding Loans and Letters of Credit exposure of the Agent shall not exceed the total Commitment..

(c) Expiration Date. Each Letter of Credit shall expire (without giving effect to any extension thereof by reason of an interruption of business) at or prior to the close of business on the earlier of (i) the date 365 days after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, 365 days after such renewal or extension) PROVIDED that any such Letter of Credit may provide for automatic extensions thereof to a date not later than 365 days beyond its current expiration date, and (ii) the date that is fifteen Business Days prior to the Revolving Credit Termination Date. No Letter of Credit may be extended beyond the date that is fifteen Business Days prior to the Revolving Credit Termination Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) by the Agent, and without any further action on the part of the Agent, the Agent hereby grants to each Lender, and each Lender hereby acquires from the Agent, a participation in such Letter of Credit equal to such Lender's Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Agent such Lender's Percentage of each disbursement made by the Agent under such Letter of Credit and not reimbursed by the Company on

the date due as provided in paragraph (e) of this Section 2.16, or of any reimbursement payment required to be

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refunded to the Company for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitment, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Agent shall make any disbursement in respect of a Letter of Credit, the Company shall reimburse the Agent in respect of such disbursement by paying to the Agent an amount equal to such disbursement not later than 1:30 p.m., Boston, Massachusetts time, on (i) the Business Day that the Company receives notice of such disbursement, if such notice is received prior to 12:00 noon, Boston, Massachusetts time, or (ii) the Business Day immediately following the day that the Company receives such notice, if such notice is not received prior to such time, PROVIDED that the Company may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.1 that such payment be financed with a Revolving Loan in an equivalent amount and, to the extent so financed, the Company's obligation to make such payment shall be discharged and replaced by the resulting Revolving Credit Base Rate Borrowing.

(f) Failure to Pay. If the Company fails to make payment when due under any Letter of Credit, the Agent shall notify each Lender of the applicable disbursement under the Letter of Credit, the payment then due from the Company in respect thereof and such Lender's Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Agent its Percentage of the payment then due from the Company, in the same manner as with respect to Revolving Loans made by such Lender. Promptly following receipt by the Administrative Agent of any payment from the Company, the Agent shall distribute such payment, to the extent that the Lenders have made payments pursuant to this paragraph to reimburse the Agent, as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Agent for any disbursement under a Letter of Credit shall not constitute a Revolving Loan and shall not relieve the Company of its obligation to reimburse such disbursement.

a. (g) Obligations Absolute. The Company's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section 2.16 shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (A) any lack of validity or enforceability of any Letter of Credit, or any term or provision therein, (B) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (C) payment by the Agent under a Letter of Credit against presentation of a draft or other document that does not comply strictly with the terms of such Letter of Credit and (D) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the

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provisions of this Section 2.16, constitute a legal or equitable discharge of the Company's obligations hereunder.

(h) Neither the Agent nor the Lenders shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit by the Agent or any payment or failure to make any payment thereunder, or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Agent; PROVIDED that the foregoing shall not be construed to excuse the Agent from liability to the Company to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Company to the extent permitted by applicable law) suffered by the Company that are caused by the Agent's gross negligence or willful misconduct when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof.

(i) Interim Interest. All amounts drawn under Letters of Credit are Obligations hereunder and if not paid when due by the Company shall bear interest at the rate provided in Section 2.14 for overdue payments.

2.17 Letter of Credit Fees . The Company shall pay to the Agent (in each case, a "Letter of Credit Fee") (a) for the accounts of the Lenders in accordance with their respective Lender's Percentage, a commission on the average daily face amount of each outstanding Letter of Credit (i) with respect to each documentary Letter of Credit, at the Applicable Margin per annum for documentary letters of credit and (ii) with respect to each standby Letter of Credit, at the Applicable Margin per annum for standby letters of credit, payable in either such case quarterly in arrears on the last Business Day of each quarter for the immediately preceding quarter in which any Letters of Credit shall have been or remain outstanding, and on the Revolving Credit Termination Date, and (b) for the Agent's own account, such customary commissions, issuance fees, transfer fees and other fees and charges in connection with the issuance or administration of each Letter of Credit as the Company and the Agent shall agree.

a. Section 5.8 of the Credit Agreement is deleted in its entirety and amended to read as follows:

5.8 Leverage Ratio. The Company shall maintain at the end of each fiscal quarter, as provided below, a ratio of Indebtedness for Money Borrowed at the end of such fiscal quarter to Consolidated Cash Flow less dividends permitted hereunder all calculated for the four fiscal quarters then ended in amount no greater than the ratio provided below as follows:

Fiscal Quarter Ending	Ratio

March 31, 1998	less than or equal to 4.40 to 1
-----	-----
June 30, 1998	less than or equal to 4.20 to 1
-----	-----
September 30, 1998	less than or equal to 3.25 to 1
-----	-----
December 31, 1998	less than or equal to 2.75 to 1
-----	-----
March 31, 1999 and each fiscal quarter thereafter	less than or equal to 2.75 to 1
-----	-----

a. Section 5.9 of the Credit Agreement is deleted in its entirety and amended to read as follows:

5.9 Total Interest Coverage. The Company shall maintain, at the end of each fiscal quarter, as provided below, for the four fiscal quarters then ended, a ratio of Consolidated EBITDA less Capital Expenditures for the period to Consolidated Total Interest Expense for the period as follows:

Fiscal Quarter Ending	Ratio
-----	-----
March 31, 1998	greater than or equal to 2.35 to 1
-----	-----
June 30, 1998	greater than or equal to 2.40 to 1
-----	-----
September 30, 1998	greater than or equal to 2.75 to 1
-----	-----
December 31, 1998 and each quarter thereafter	greater than or equal to 3.00 to 1
-----	-----

a. Section 5.10 of the Credit Agreement is deleted in its entirety and amended to read as follows:

5.10 Total Fixed Charge Coverage. The Company shall maintain, at the end of each fiscal quarter, as provided below, for the four fiscal quarters then ended, a ratio of Consolidated Cash Flow plus payments on Operating Leases for the period to Consolidated Total Debt Service plus payments on Operating Leases for the period as follows:

Fiscal Quarter Ending	Ratio
-----	-----
March 31, 1998	greater than or equal to 1.35 to 1
-----	-----
June 30, 1998	greater than or equal to 1.35 to 1

September 30, 1998	greater than or equal to 1.60 to 1
December 31, 1998	greater than or equal to 1.65 to 1
March 31, 1999 and each fiscal quarter thereafter	greater than or equal to 2.00 to 1

a. Section 5.11 of the Credit Agreement, Profitability, is deleted in its entirety and amended to read as follows:

5.11 Profitability . The Company shall have Consolidated Net Income at the end of each fiscal quarter of a least \$1.00.

a. Section 5.13 of the Credit Agreement, Use of Proceeds, is deleted in its entirety and amended to read as follows:

5.13 Use of Proceeds. The Company will use the proceeds of the Revolving Loans for the ongoing working capital needs of the Company and the Guarantors. Notwithstanding the foregoing, the Company may use up to \$75,000,000 , in the aggregate of the Commitment Amount, reduced by all purchases of Senior Subordinated Notes prior to the date of this Agreement as set forth on Exhibit C and further reduced by all purchases of Senior Subordinated Notes and common stock under the Stock Repurchase Program made on and after the date hereof, to repurchase a portion of the Senior Subordinated Notes or any of the Company's common stock under the Stock Repurchase Program, provided, (i) that the Company shall satisfy on a pro forma basis, all of the covenants made herein for the next four (4) fiscal quarters from the date thereof, (ii) that the Company's repurchase of the Senior Subordinated Notes and common stock under the Stock Repurchase Program in any fiscal quarter shall be limited to the amount of the Company's positive net income based on the average of net income for the preceding four fiscal quarters, as previously reported to the Agent and using the current quarter as the fourth quarter for purposes of the calculation and (iii) that such repurchase complies with the provisions of Section 6.8 (xiv) hereof. Notwithstanding the forgoing, the Company shall not repurchase any additional Senior Subordinated Note or common stock under the Stock Repurchase Program prior to October 1, 1998 and shall only make such repurchases after October 1, 1998 with the prior consent of the Majority Lenders.

a. Section 5.16 is added to the Credit Agreement to read as follows:

5.16 Capital Expenditures. The Company shall not make Capital Expenditures (i) in the fiscal year ending December 31, 1998 which exceed \$20,000,000 and (ii) in the fiscal year ending December 31, 1999 which exceed \$30,000,000.

- a. Section 6.1 (i) of the Credit Agreement is deleted in its entirety.
- b. Exhibit F is amended in its entirety as provided in Exhibit F to this Third Amendment.
- c. Exhibit J is amended in its entirety as provided in Exhibit J to this Third Amendment.

1. Consent and Waiver. Subject to the terms of this Agreement and the Consent Agreement, the Lenders hereby reaffirm the waiver contained in the Waiver Agreement.

1. Conditions to Third Amendment.

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a. The agreements of the Agent and the Lenders as set forth in this Third Amendment are subject to the fulfillment of the following conditions:

(1) Receipt by Agent of a copy of this Third Amendment and Consent Agreement executed by the Company, Retail, Licensing and the Majority Lenders;

(1) Receipt by each of the Lenders of a one time amendment fee equal to 10 basis points of each such Lender's Commitment.

(1) Evidence of Termination of the Guess Letter of Credit;

(a) Receipt by the Agent of (i) the opinion of counsel to the Company in form reasonably satisfactory to the counsel to the Agent; (ii) a certificate signed by the Secretary or Assistant Secretary of the Company certifying, among other things: that appended is a Certified Articles of Incorporation of the Company, that the By-laws of the Company has not been amended since the certificate delivered on December 31, 1997, that the appended resolutions of the Company's Boards of Directors authorizing the execution, delivery and performance of the Third Amendment to the Credit Agreement are in full force and effect, and affirmation as to the names, incumbency and signatures of the officers of the Company, Retail and Licensing executing the Third Amendment to Credit Agreement and the other Loan Documents executed pursuant thereto;

(1) Current certificates of foreign qualification for the Company.

(1) Such other documents, instruments and agreements as Agent may reasonably request in connection herewith or in order to effectuate the matters described herein.

1. Credit Agreement Remains in Full Force an Effect. Except for the amendments set forth in Section 2 hereof, no other amendment to the Credit Agreement is being made or implied by this Third Amendment and all provisions of the Credit Agreement shall remain in full force and effect, except as specifically amended by this Third Amendment.

1. Representations and Warranties; No Default or Event of Default.

a. The Company hereby confirms that the representations and warranties contained in Section 4 of the Credit Agreement are true and correct as of the date hereof (except to the extent that such representations and warranties relate to a prior date) and that no Default or Event of Default has occurred and is continuing on the date hereof which was not waived under the Waiver Agreement.

a. The Guarantors, which have consented to this Third Amendment, hereby confirm that each of them is a Subsidiary for all purposes under the Credit Agreement and that all of the representations and warranties contained in Section 4 of the Credit Agreement are true and correct as of the date hereof as to each of the Guarantors.

1. Governing Law. This Waiver shall be construed in accordance with and governed by the laws of the Commonwealth of Massachusetts (without giving effect to any conflicts of laws provisions contained therein).

1. Fees and Expenses. The Company shall pay the Lenders' reasonable attorneys' fees and out-of-pocket expenses including, without limitation, other normal and customary charges for photocopying, facsimile transmission, overnight delivery, postage, long distance telephone calls and

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similar charges actually incurred in connection with this Third Amendment as of and through the date hereof.

1. Counterparts. This Third Amendment and Waiver 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 Third 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 Third Amendment, is confirmed as being in full force and effect.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and the year first written.

GUESS ?, INC.

By:
Print Name:

Title:

BANKBOSTON, N.A. FORMERLY THE FIRST NATIONAL BANK OF
BOSTON (AS AGENT AND LENDER)

By:
Print Name:

Title:

SANWA BANK
CALIFORNIA (AS CO-AGENT AND LENDER)

By:
Print Name:

Title:

CREDIT LYONNAIS LOS ANGELES
BRANCH (AS LENDER)

By:
Print Name:

Title:

BANK OF CALIFORNIA

SUMITOMO
(AS LENDER)

By:
Print Name:

Title:

Acknowledged and Consented to:

GUESS ? RETAIL, INC.

By: _____
Print Name: _____

Title: _____

GUESS? LICENSING, INC.

By:
Print Name:
Title: _____

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EXHIBIT F

GUESS ?, INC.

REPORT OF CHIEF FINANCIAL OFFICER

GUESS ?, INC. (the "Company") HEREBY CERTIFIES that:

This Report is furnished pursuant to Section 5.1(c) of the Amended and Restated Revolving Credit Agreement dated as of March 28, 1997, as amended from time to time, by and between the Company and BankBoston, N.A. formerly known as The First National Bank of Boston (the "Bank of Boston"), as Agent, Sanwa Bank California, as Co-Agent, and the other Lenders party thereto (the "Agreement"). Unless otherwise defined herein, the terms used in this Report have the meanings given to them in the Agreement.

As required by Section 5.1(a) and (b) of the Agreement, consolidated financial statements of the Company and its Subsidiaries for the [year/month/quarter] ended _____, 19____ (the "Financial Statements") prepared in accordance with GAAP consistently applied accompany this Report. The Financial Statements present fairly the consolidated financial position of the Company and its Subsidiaries as at the date thereof and the consolidated results of operations of the Company and its Subsidiaries for the period covered thereby (subject only to normal recurring year-end adjustments).

The figures set forth in Schedule A for determining compliance by the Company with the financial covenants contained in the Agreement are true and complete as of the date hereof.

The activities of the Company and its Subsidiaries during the period covered by the Financial Statements have been reviewed by the Chief Financial Officer or by employees or agents under his immediate supervision. Based on such review, to the best knowledge and belief of the Chief Financial Officer, and as of the date of this Report, no Default has occurred and is continuing.(1)

WITNESS my hand this _____ day of _____, 19____.

GUESS ?, INC.

By:

Title:

(1) If a Default has occurred, this paragraph is to be modified with an appropriate statement as to the nature thereof, the period of existence period of existence thereof and what action the Company has taken, is taking, is taking, or proposes to take with respect thereto.

SCHEDULE A
to
EXHIBIT F

FINANCIAL COVENANTS

Current Ratio (Section 5.7)

REQUIRED for fiscal quarter ending
:

:1.00

ACTUAL for fiscal quarter ending
:

(i) Consolidated Current Assets

\$

(ii) Consolidated Current Liabilities

(iii) Current portion of Indebtedness for Money Borrowed

\$

(iv) Line (ii) less line (iii)

\$

(v) Line (i) divided by line (iv)

:1.00

Leverage Ratio (Section 5.8)

MAXIMUM for fiscal quarter ending
:

:1.00

ACTUAL for fiscal quarter ending
:

(i) Indebtedness for Money Borrowed

\$

(ii) Consolidated Cash Flow

\$

(iii) Excess Dividends

\$

(iv) Line (ii) less line (iii)

\$

(vi) Line (i) divided by line (iv)

:1.00

Total Interest Coverage (Section 5.9)

REQUIRED for fiscal quarter ending
:

:1.00

ACTUAL for fiscal quarter ending
:

\$

(i) Consolidated EBITDA

(ii) Capital Expenditures

\$

(iii) Line (i) less Line (ii)

\$

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(iv) Consolidated Total Interest Expense

\$

(v) Line (iii) divided by line (iv)

:1.00

Total Fixed Charge Coverage (Section 5.10)

REQUIRED for fiscal quarter ending : :1.00
:
ACTUAL for fiscal quarter ending
:
(i) Consolidated Cash Flow \$
(ii) Payments on Operating Leases \$
(iii) Sum Total of Line (i) plus Line (ii) \$
(iv) Consolidated Total Debt Service \$
(v) Payments on Operating Leases
(vi) Sum Total of Line (iv) plus Line (v)
(vii) Line (iii) divided by Line (iv) :1.00

Profitability (Section 5.11)

REQUIRED at the end of each fiscal quarter: \$ 1.00
:
ACTUAL for fiscal quarter ending
:
Consolidated net income \$

Inventory Turnover (Section 5.12)

MINIMUM: 2.25 Turns

ACTUAL:

(i) Total cost of sales for the Company for the four fiscal quarters ended \$
(ii) Book Value of inventory at end of current fiscal quarter \$
(iii) Book value of inventory at beginning of measurement period \$
(iv) Line (ii) plus line (iii) \$
(v) Line (iv) divided by 2
(vi) Line (i) divided by line (v) _____ Turns

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CAPITAL EXPENDITURES (SECTION 5.16)

MAXIMUM for fiscal year ending
:
ACTUAL through the fiscal quarter ending
:

WITNESS my hand this _____ day of _____, 19__.

GUESS ?, INC.

By:

Title:

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EXHIBIT J

LENDER'S PERCENTAGES

Lender	Maximum Total Commitment	Lender's Percentages
BankBoston, N.A. 100 Federal Street Mail Stop 01-09-05 Boston, Massachusetts 02110 Attention: Nancy Fuller, Director Telecopier: (617)434-6685	\$30,000,000	34.5324%
Sanwa Bank California Sanwa Bank Plaza 601 South Figueroa Street 10th Floor Los Angeles, California 90017 Attention: Nicole Garnier, Vice President Telecopier: (213)896-7090	\$26,875,000	30.9353%
Credit Lyonnais Los Angeles Branch 515 South Flower Street Suite 2200 Los Angeles, CA 90071 Attention: Dianne Scott, Vice President Telecopier: (213) 623-3437	\$20,000,000	23.0216%
Sumitomo Bank of California 611 West 6th Street Suite 3900 Los Angeles, California 90017 Attention: Matthew R. Van Steenhuyse, Vice President Telecopier: (213) 622-1385	\$10,000,000	11.5108%

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